

Nation's Business

USEFUL LOOK AHEAD

SEPTEMBER 1964

second half of the 60s

What your city needs to grow **PAGE 31**

Test your political beliefs **PAGE 34**

Fringe benefit costs head higher **PAGE 104**

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WORLD TRADE

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PAGE 40

The 'Jeep' Gladiator with 4-wheel drive has twice the traction of ordinary pick-up trucks.



Can you imagine a truck with 2-wheel drive handling mud this deep?

When a 'Jeep' Gladiator gets down on all fours, there isn't much in nature that can stand in its way.

The 'Jeep' Gladiator with 4-wheel drive can get through stormy weather and rough terrain that would stop any conventional 2-wheel drive pick-up. That's because it has twice the traction. 'Jeep'

Gladiators plow through snow, slush through mud, sail through downpours and give better control on ice.

And because it is built to take it, a 'Jeep' Gladiator is worth a mint when you get ready to sell it. It holds its value because it stays versatile.

Go to your 'Jeep' dealer and test drive

a 'Jeep' Gladiator. Notice its passenger car smoothness. Then find a hill. A steep one. Try it halfway in 2-wheel drive. Now throw the 'Jeep' Gladiator in 4-wheel drive. And hang on. You'll know then what separates other pick-up trucks from the "Unstoppables."

KAISER JEEP CORPORATION
TOLEDO 1, OHIO

50
YEARS

New kind of pick-up truck for twice the traction. 'Jeep' Gladiator with 4-wheel drive.

See 'Jeep' vehicles in action on TV... "CBS Evening News With Walter Cronkite."

**Meet a low-pressure salesman.
Turn him loose on
your communications problems!**



He's a Bell System Communications Consultant...a man with an unusual selling job, with unusual benefits for you.

When he calls on you, he'll have one objective: to learn how communications are (or aren't) helping you. So he'll offer to make a thorough study of your business operations, without cost or obligation on your part.

He'll do this because he must find a need for new communications before he can recommend them. He calls it "usage prospecting." Then he must be able to demonstrate clearly to you how new or improved services can save you time, reduce clerical detail, lower costs or otherwise sharpen your efficiency.

If he can't do this, you can send him on his way.

Doesn't it make good business sense to get together with this man...and take advantage of his analysis?

To arrange a meeting, just call your Bell Telephone Business Office and ask for the services of a Communications Consultant.



BELL SYSTEM

American Telephone & Telegraph Co.
and Associated Companies

Nation's Business

September 1964 Vol. 52 No. 9

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Washington, D.C.

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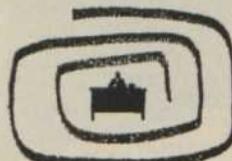
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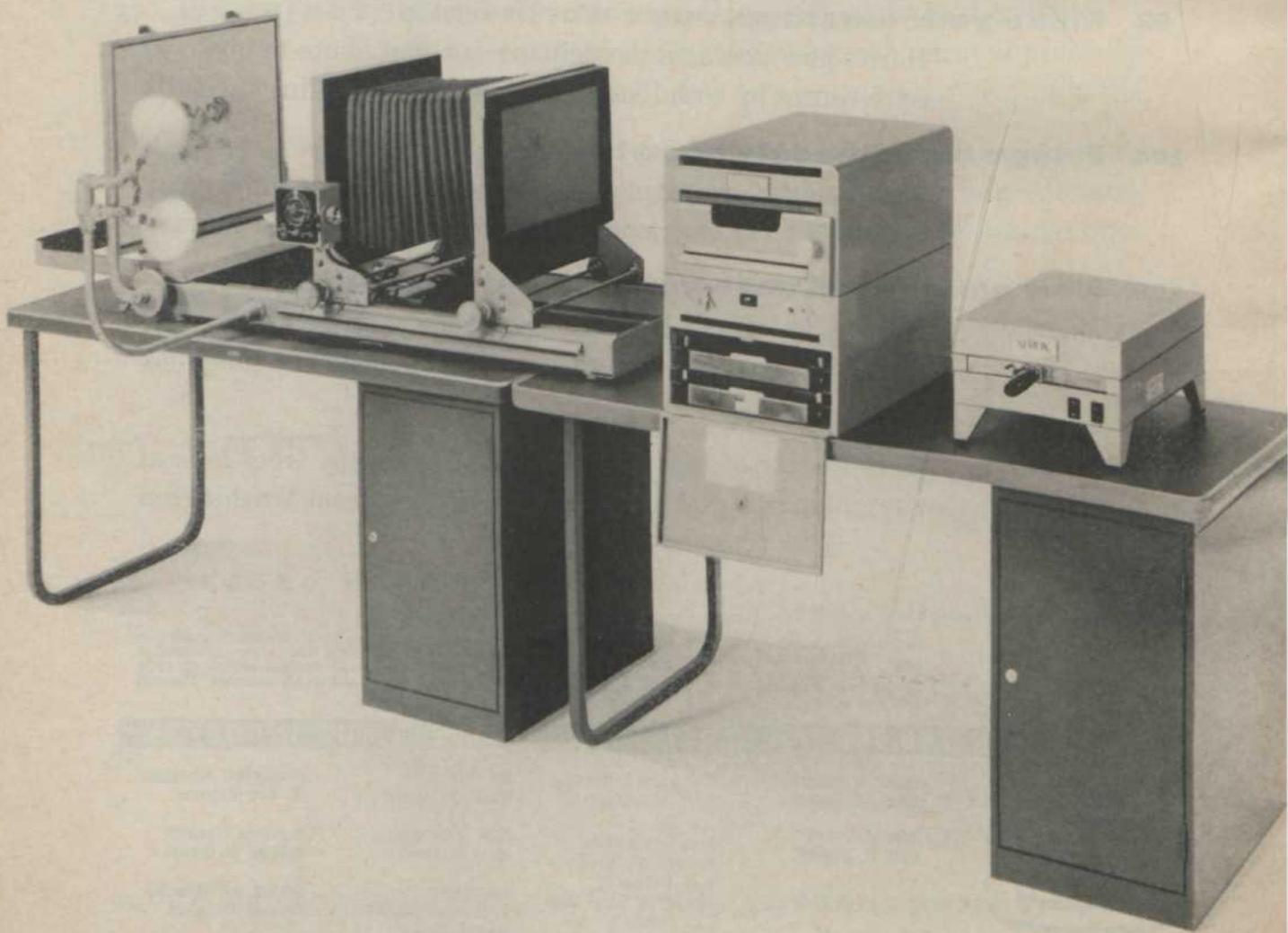
Here's proof of how tough it can be to escape from federal surveillance if you accept subsidy money from Washington

Nation's Business is published monthly at 1615 H St. N.W., Washington, D. C. 20006. Subscription rates: United States and possessions \$19.75 for three years; other countries \$10 a year. Printed in U.S.A. Second class postage paid at Washington, D. C., and at additional mailing offices. © 1964 by Nation's Business—the Chamber of Commerce of the United States. All rights reserved. Nation's Business is available by subscription only.

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may not be the fastest, but it's the
most versatile copying equipment
ever made.**



Xerox Standard Equipment won't win any beauty contests. (But who buys a machine for its looks?)

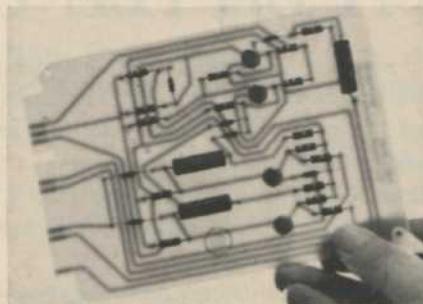
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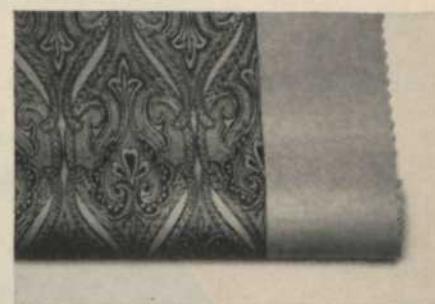
Of course, thousands of people still use Xerox Standard Equipment to make paper or metal offset masters. Some have been doing it for 13 years. There are faster ways to make offset masters, but none make a better master. A paper xeromaster is good for 20,000 or more copies. (We know a guy who made 40,000.) Why make two or more ordinary ones when one xeromaster will do?

This takes more than a minute. About 3 minutes. And some care. But it demonstrates a point. Xerox makes it possible to transfer

images to a wiggly surface like this.

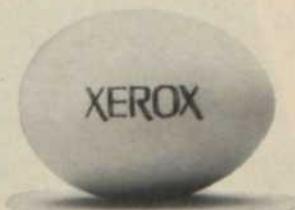


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the most versatile way to copy.

If you think there's nothing new
in truck tires...

COME A LITTLE CLOSER

When you get right down to it, you'll see there's a big difference in truck tires. The biggest difference is in Firestone's Transport-100! Here's why:

- A flatter crown puts 12% more rubber on the road than other 100-level tires.
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- An exclusive shoulder design helps dissipate heat.
- Special Tread/base construction puts insulating rubber between the tread and cord body for up to 40 degrees cooler operation.
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Firestone TRANSPORT-100

WASHINGTON BUSINESS OUTLOOK

Prosperity without inflation. That's prospect for years through '70—as seen by businessmen and economists quizzed by Nation's Business (see page 36).

They anticipate moderate price increases.

Wages will be going up about the same as in years just past.

All predict broad-based economic growth—though mild business dip is possibility for late '65 or early '66.

Sample views of future:

Martin R. Gainsbrugh, vice president of National Industrial Conference Board, thinks public pressure will help hold wages in line with productivity gains.

Ira T. Ellis of E. I. du Pont de Nemours & Co. looks for hourly pay to go up about three per cent a year.

J. Howard Craven, vice president and chief economist at Bank of America, San Francisco, anticipates no threat of serious inflation for next several years.

Early indications show total investment for '65 in range of \$47 billion.

Looking at longer period ahead, Washington economist Robinson Newcomb predicts spending will go up sharply by end of decade. He looks for 40 to 50 per cent rise.

This means \$1 billion a month will be going into new commercial and industrial buildings—equipment extra—as prosperous 1970's get under way. (See page 40.)

As for industrial equipment, can't tell that far ahead what it'll be or what it'll cost.

Milestone for personal income is coming up.

It'll soon reach round number \$500 billion annual rate.

Watch for Washington announcement soon.

Wage and salary payments keep rising.

Other kinds of income trend likewise.

Business and professional income was never higher.

Farm income, previously lagging, shows new hint of rise ahead.

Dividend payments—this month—reach peak \$20 billion annual rate.

Rainy-day money piles up.

Americans set aside \$8.20 out of each \$100 in pay envelope.

Compares with \$6.80 last year.

This adds up to big dollars.

It means money is being saved at rate of more than \$35 billion this year.

That's \$8 billion above sum saved last year.

Implications for business:

High savings rate, Washington economists point out, builds up funds for future down payments on big-ticket items.

This foreshadows continuing good volume for durable-goods industries.

Furniture, household fixtures and equipment,

More plant expansion coming next year



Businessmen back boom with company bucks—44 billion of them being invested in new plants and equipment this year.

Many companies finalize next year's spending plans this month and next.

for example, as well as autos, should continue to do well during fall and winter.

New York Federal Reserve Bank comments:

"The increases in disposable income stemming from the tax cut can certainly be expected to exert long-run support for consumer spending. . . . Consumer buying plans remain strong and record levels of expenditures on durables, most volatile component of the consumer budget, indicate a continued willingness to spend."

Prospects for foreign trade: Bright's the word.

We're selling about \$25 billion of goods abroad this year.

Volume will rise to estimated \$40 billion by '70 (see page 38).

Industrial machinery currently leads most-wanted items from U. S.

Annual sales exceed \$3 billion.

Other leaders in foreign sales:

Grains and preparations—more than \$2 billion yearly volume.

Aircraft and parts—about \$1.5 billion.

Autos and trucks—neighborhood of \$1.4 billion.

Electrical machinery—\$1.3 billion.

Chemical specialities—more than \$750 million a year.

Nonferrous metals—\$600 million.

Raw cotton—about \$550 million.

Tobacco—roughly \$500 million.

Petroleum and products—some \$450 million.

Know which states export most?

New listing is due about January. Survey under way now.

Census Bureau is canvassing 14,000 manufacturing firms for U. S. Department of Commerce.

Here are some early guesstimates:

At least eight states—maybe 10—will show foreign sales of \$1 billion or more.

Two do \$2 billion foreign business.

Two more are close behind.

Possible line-up in order of volume:

New York, Illinois, California, Ohio, Pennsylvania, Michigan, New Jersey, Texas.

Also among top states in foreign volume:

Washington, Indiana, Massachusetts, Wisconsin, North Carolina, Connecticut, Virginia—all selling more than \$400 million of goods a year in world market.

University enrollment to top 4.8 million

School Year	In millions of students
1964-65	4.8 (estimated)
1963-64	4.5
1962-63	4.2
1961-62	3.9
1960-61	3.6

College classrooms bulge with largest enrollment ever.

More than 4.8 million young people begin classes this month.

That's just beginning.

Thousands more will enroll by second term or semester.

Enrollment a year from now will jump even more.

Here's sample of what's ahead:

Number of 18 and 19 year olds will grow by a third during next three years.

Compares with 13 per cent expansion of age group during three years past.

In addition, larger proportion go to college—swelling enrollment to estimated 8.6 million by '75.

WASHINGTON BUSINESS OUTLOOK

Personal note: For your youngster entering college this fall you can expect to spend between \$2,000 and \$2,500.

Averages a little more for girls, less for boys. Government survey indicates:

Tuition, fees, board, room will cost close to \$1,500—national average—for two semesters ahead.

Clothing, transportation, books, supplies, recreation, incidentals will cost another \$500 to \$1,000.

To figure future cost, add about five per cent per year.

You can spend less if your youngster attends public university in your state.

Trend is to jack up tuition charges to out-of-state students.

Government survey finds more states in next few years may try to discourage students from other states.

A few already do.

Pay for nonwork: Runs to a dollar for each four in pay envelope.

That's finding of new survey of fringe benefits by Chamber of Commerce of U. S.

All adds up to big money—\$75 billion yearly—and headed higher (see page 104).

Look for drop in jobless number next month.

Rate of unemployment currently is lowest in four years. But number not working is still above 3.8 million. It's expected to drop below 3.5 million in October.

Government employment drifts lower—as planned.

But payroll zooms.

Job facts: Federal civilian employment is lower than year ago—though not much lower.

And it's nearly 100,000 more people than Uncle Sam had on payroll four years ago.

Future: Ceiling on government positions is set 35,000 higher for year ahead than actual employment now.

Budget Bureau watchdogs actual employment, holds taut leash on agencies to assure average employment follows ceiling guideline as jobs become vacant.

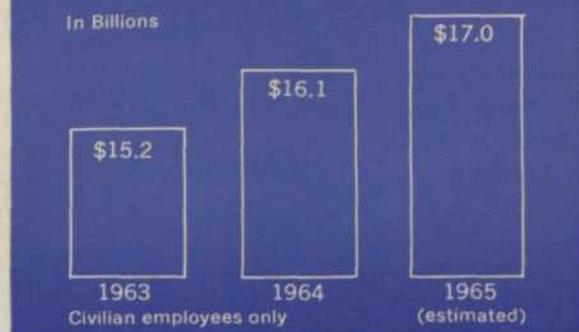
But payroll goes up anyway.

Perspective: Total civilian payroll this year is running about \$900 million above past year.

Similar increase is coming for year ahead.

It'll be more if ceiling doesn't hold.

Government payroll continues to rise



Military payroll costs also run higher.

Expenditures for paying men in uniform ran \$8.2 billion last year.

It's up to \$8.8 billion now.

It'll be an estimated \$9.4 billion for year ahead.

What your tax dollars don't buy:

Peace Corps in Washington has use of auto not purchased with government funds.

Government could buy four of these cars with taxpayer funds it takes to provide one federal official one air conditioned, phone-equipped limousine with driver for one year.

Share the next 20 years of growth forecast for the Middle of Marketing America!

Exhaustive Battelle Memorial Institute study highlights long-range business and industrial growth opportunities in Columbus and Southern Ohio!

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Please send me free 58-page report detailing long-range growth potential in the Middle of Marketing America.

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Business opinion:

Tax changes would help make jobs

THE WAR ON POVERTY program may be an important vehicle for relieving human suffering and strengthening the stability of our democracy. Obviously, however, the most effective way to deal with poverty is by providing gainful employment to the unemployed, preferably by the private sector of our economy. Private industry's participation will assure economically productive utilization of idle manpower capacity in the indefinite future and at the same time create taxpaying wage-earners to help support the necessarily high cost of democratic government.

One of the greatest incentives to motivate business to re-evaluate its plans, to lunge forward to new horizons and to create new employment opportunities is income tax considerations. As long as income tax continues to be the single largest cost of doing business, prudent businessmen will mold their business decisions in a manner which will give them the most advantageous tax posture.

Now, while the antipoverty planning is so much with us, is the time to encourage the development of income tax incentives to business, in order to enlist its participation in the poverty puncturing program. It seems to me that business would respond quickly and effectively if some tax credits were provided for such things as:

1. Cost of hiring and retraining presently technological unemployables.
2. Differential between minimum wage rates and the actual productivity of inexperienced new employees.
3. Cost of locating industrial facilities in the heart of Appalachia and other major, basic poverty areas.
4. Costs of any new, imaginative programs by individual companies which would effectively contribute towards returning certain numbers of technological unemployables into

the stream of the economic life of our country.

DAVID F. LINOWES
New York, N. Y.

Labor support varies

In the interview on trade union political activity [August] I stated that Sen. Clifford Case (Republican, New Jersey) and Sen. Margaret Chase Smith (Republican, Maine) had been supported by COPE organizations in their states.

What I intended to say was that some segments of organized labor in Maine had supported Senator Smith, and some segments in New Jersey had supported Senator Case.

ALEXANDER E. BARKAN
National director
AFL-CIO Committee on Political Education

► EDITOR'S NOTE: *The same is true of Senate Republicans Jacob J. Javits and Kenneth B. Keating of New York and Thomas H. Kuchel of California, mentioned with Senators Case and Smith. They have had some union support, but not from COPE in a general election.*

Right and wrong

I found "When It's Right to be Wrong" [June] to be very thought-provoking and would like to pass it around to my associates.

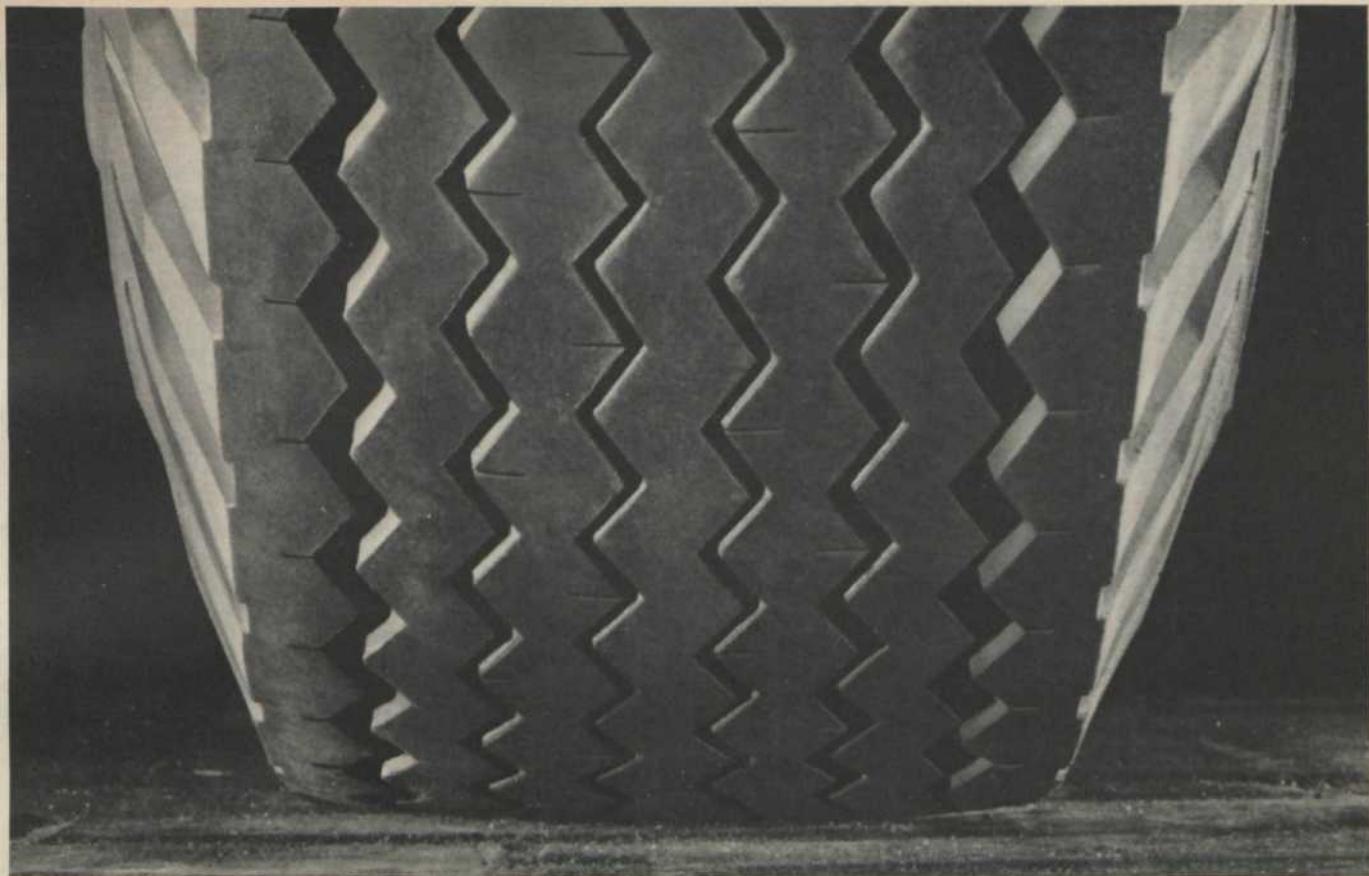
R. B. MUELLER
Staff vice president
Flight operations
Trans World Airlines, Inc.
New York, N. Y.

Actions can deceive

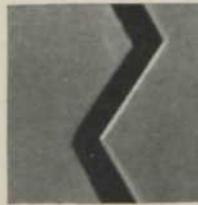
In your "bossman" quiz, Executive Trends [July], the answer to question two correctly states that we cannot rate an employee's loyalty on lip service—but that is not the answer for the entire question. The True-False statement was: You can always tell if a man is loyal by the way he talks and acts.

The accepted keystone of employee merit rating is performance. Primarily, we want any employee to be evaluated on what he does, (i.e. his acts and behavior).

Such phrasing of a question is a



Why does the Goodyear Super Hi-Miler outwear any other truck tire of its kind?



Because each square inch carries a lighter load

It's as simple as that.

The Goodyear Super Hi-Miler puts more rubber on the road than any other truck tire in its class. So each square inch of tread has a lighter load to carry... and lasts much longer.

The tread is made up of solid continuous ribs. No "checkerboard" of little segments to chunk or squirm.

And it's made with Tufsyn—toughest, longest-wearing rubber ever used in Goodyear tires.

Runs up to 25° cooler, too!

The Super Hi-Miler tread is actually made of two kinds of rubber. Outside, an abrasion-resistant tread; inside, a softer, more resilient rubber that absorbs flexing and

creates less heat-building friction.

This, plus a new specially grooved shoulder design, keeps Super Hi-Miler running up to 25° cooler, mile after pounding mile.

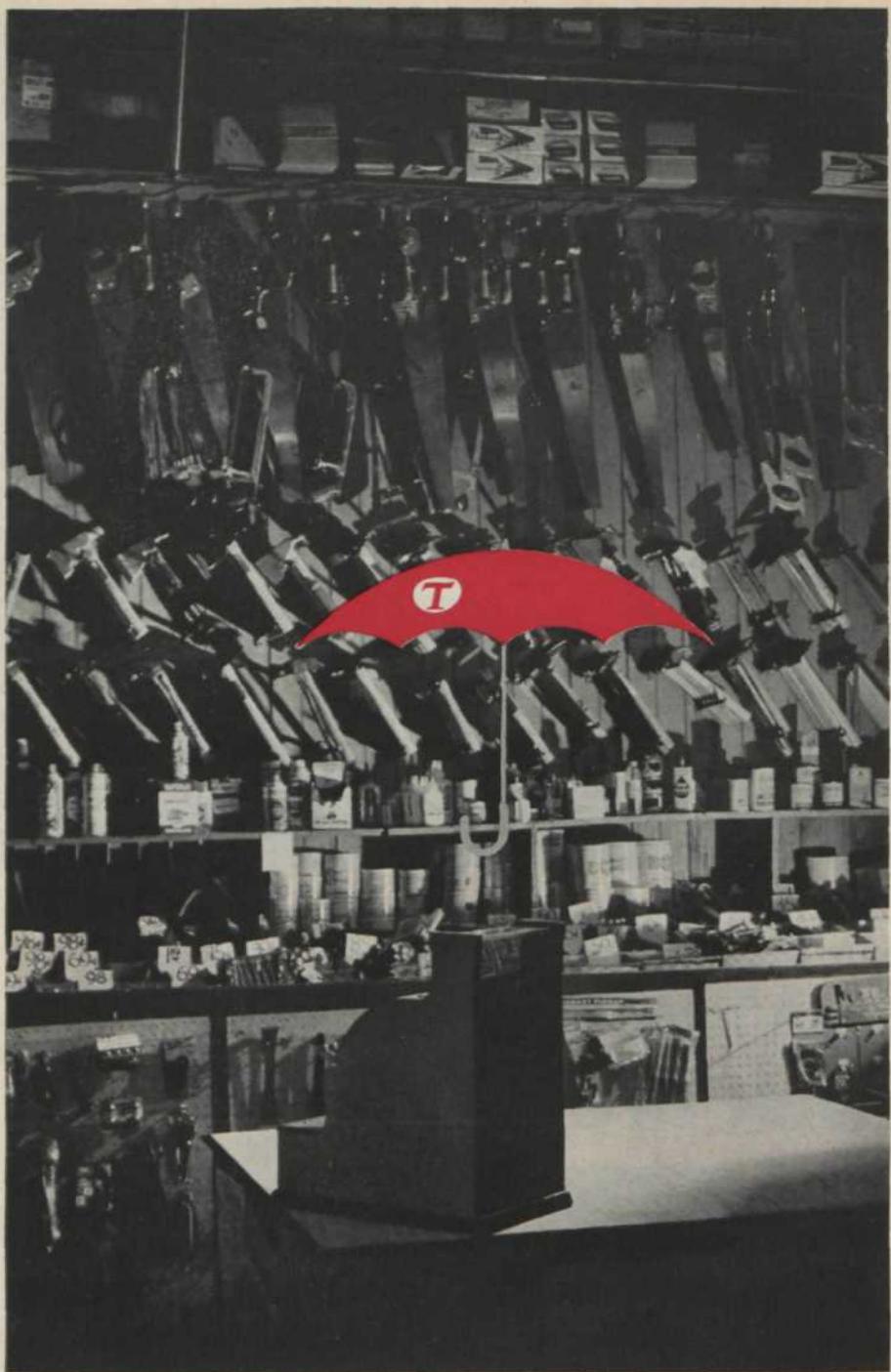
You get extra traction, more recaps, even a lower-pitched sound at high speeds.

Mileage-stretching features like these make sense for your fleet. Buy Super Hi-Miler for *your* trucks and specify them when you order new equipment. Goodyear, Truck Tires, Akron, Ohio 44316.

Another reason why more truck manufacturers, more fleet owners choose Super Hi-Miler.

Hi-Miler, Tufsyn—T. M.'s The Goodyear Tire & Rubber Company, Akron, Ohio

GOOD  **YEAR**



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This money-saving Storeowners Policy was originated by The Travelers. It's available in all but a few states right now. And you can pay for it by the month if you wish.

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The TRAVELERS INSURANCE Companies

HARTFORD 15,
CONNECTICUT

Business opinion:

disservice, admittedly unintentional, to the operating personnel administrator who maintains a realistic, workable day-to-day relationship with first-line supervision.

MARTIN ELLENBERG

Personnel & industrial relations director
S & S Corrugated Paper Machinery Co., Inc.
Brooklyn N. Y.

► *An employee's acts, as well as his words, can be manipulated to conceal disloyalty. An effective administrator must distinguish between false and genuine acts of loyalty.*

What wheat costs

I have just read the letter to you from Secretary of Agriculture Orville L. Freeman [August], which says: "If prices of flour and bread are raised, factors other than the price of wheat will be the chief cause. The price of wheat to millers during the crop year 1964-65, including the cost of certificates, is expected by the department to be about the same as during the crop year 1962-63 when the national price support level was also \$2 a bushel."

I don't wish to discuss the possible increase in the price of bread, but can definitely point out that there has been and undoubtedly will continue to be an increase in the price of flour simply because the cost of wheat to the miller is higher than it was a year ago.

This is a matter of simple arithmetic, regardless of what the Secretary says. Secretary Freeman has been abusing millers for advancing flour prices, conveniently overlooking the facts that justified the trade action.

The 1964 crop wheat loan is at a national average of \$1.30 on farms. To this add the 70 cents per bushel that the miller must pay to the department to mill this wheat and you will have a price of \$2 per bushel. Last year the 1963 crop wheat loan stood at \$1.82 on the farm, which thus immediately shows an 18-cent per bushel increase in the cost of wheat this year over last.

If it requires 2.4 bushels of wheat to make a hundredweight of flour you have an increase there in the flour price of .432 cent per pound. This is pretty much the actual figure as of now.

JOHN R. COOPER

Executive vice president
The O. A. Cooper Co.
Humboldt, Neb.

How long would it take us to show you the advantages of the new 315 RMC Rod Memory Computer?

About 800 billionths of a second.

Because its entire main memory is made up of thin wire rods plated with a magnetic thin film that permits cycle speeds of 800 nanoseconds (800 billionths of a second). That memory, incidentally, has a capacity of up to 240,000 digits.

Also available for this new 315 RMC — and all 315's — is a new line of faster and more efficient peripherals, such as: speedier tape drives (66 KC conversion of data from other computers and 120 KC for direct processing); a 1000 line-per-minute printer; a 250-cpm card punch; a data communications controller for "on-line" applications; built-in floating point arithmetic; new high capacity CRAM III (Card Random Access Memory) that has up to 16,000,000 characters of random access storage in each CRAM cartridge.

The 315 RMC is completely compatible with all existing 315 peripheral equipment. All 315 programs and software, including NEAT, COBOL and the recently announced program generator BEST may be run—as is.

Deliveries begin in mid-65. For more information about the versatile 315 family of computers (and, especially, the new 315 RMC), call your local NCR office. Or, write to NCR, Dayton, Ohio 45409.



NCR

Get Rid of Desk Clutter



THIS EASY WAY



It's amazing how all time-wasting clutter disappears from desk tops and desk drawers . . . *this easy way*.

In Shaw-Walker *Clutter-Proof® Desks* the drawers have in-built space for everything you use—even letter trays and wastebasket.

No other desks are so beautiful and efficient . . . Ask us to prove it. Phone your Shaw-Walkerman. Or write for brochure of Shaw-Walker "Clutter-Proof® Desks."

SHAW-WALKER

Largest Exclusive Makers of Office Equipment
Muskegon 73, Mich. Representatives Everywhere

Executive Trends

- Beat the manager shortage
- Hints on fund-raising
- They're studying bizarre bosses

With **executives** now in record-high demand, some companies face the problem of getting work done with fewer managers than they need or can acquire.

If the problem is wholly one of quantity, then the outlook is indeed unsettling. One recent authoritative measurement of demand for managers showed major increases in five of seven functional categories. Only in two fields, defense engineering and science and finance, was declining demand reported.

That there is a need for more and better executives is indisputable. The economy continues to expand. Companies continue to grow. Men retire. New products, new markets, new competition exert relentless pressure on corporate resources.

Yet to measure the quantity of manpower available is to tell only part of the story. Quality performance by managers in your firm, or any business, can offset numerical shortages—at least up to a point.

Companies are employing various strategies to counteract the scarcity of managers.

Emphasis on higher quality work by executives on hand is but one countermeasure.

Another, gaining in popularity, is farming out specialized tasks to consultants. Product planning is an example here.

Kenneth Van Dyck, president of a product design and development firm, reports that more product planning consultants are being enlisted for ground-up assignments in companies which find it difficult to

obtain the services of topflight marketing men.

Other firms are dusting off executive development programs discarded some years ago because they were frill-laden. Now, after streamlining the programs, they are using them to strengthen in-house capabilities. Still other businesses are calling on their available executives to assume more job responsibilities—another way of getting around scarcity.

Forecast: The managerial shortage means you can expect to work harder in the years just ahead. For men with the potential to grow, the scarcity problem will open unusually bright avenues for advancement.

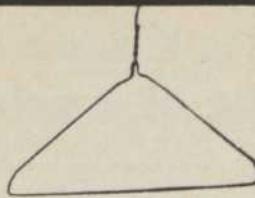
• • •

If your company is getting ready to set up a charitable fund-raising team, here are some pointers:

1. Put a man in charge who is recognized in the organization as an outgoing and generous individual. The leader of a charity campaign should be one who presents a model of giving to other individuals.

2. Keep donation pressure informal. The company itself should not try to dictate the amount employees give; peer pressure—the influence which men and women working at roughly the same level have on each other—will do this job for you.

These are among suggestions on fund-raising offered by Dr. Mortimer Feinberg, psychologist and associate professor at the Baruch School of Business, City College of New York. His research shows peo-



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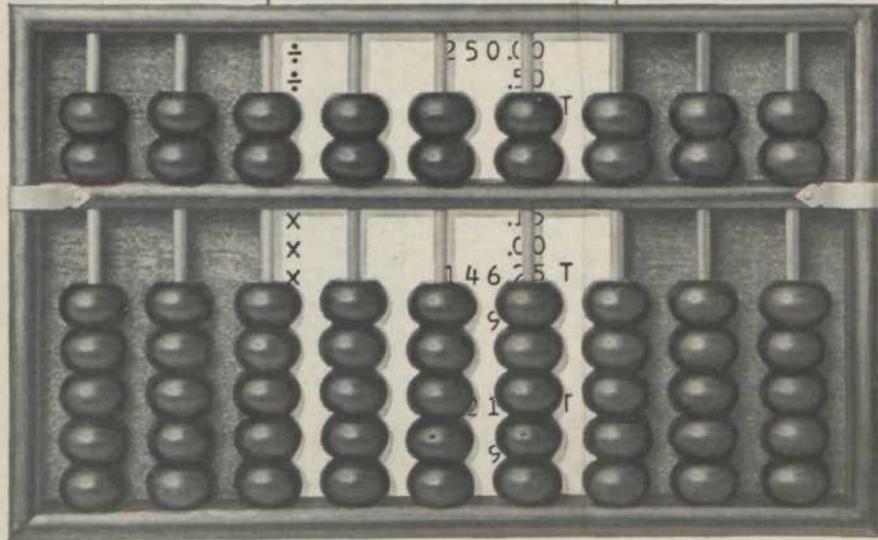
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EXECUTIVE TRENDS

continued

ple never give for only one reason, and that the reasons for giving are rarely voluntary. With some people, it is a matter of sheer social pressure, an assuagement of guilt feelings, a gesture of gratitude or strong belief in a cause. Other forces operate, too.

"You must believe in a charity before you can try to persuade others," Dr. Feinberg asserts. "Your own enthusiasm is the best emotional lubricant, making it easy to help others part with their own time and money."

• • •

What's the most bizarre thing your boss ever did on the job?

Business, government and military officials were asked that question by a survey in Washington.

Here are some of the replies:

"Staff arranged in-plant birthday party with cake for an administrative officer. He saw it and put his fist into it."

"Possibly one of the worst practices was washing his underwear and hanging it in the office window."

The comments turned up in research directed by Professor David S. Brown of The George Washington University. His study covered "Subordinates' Views of Ineffective Executive Behavior."

• • •

Everybody will be getting into the marketing act in the next few years.

That's how one expert, Robert A. Whitney, sizes up trends in this vital area of business activity.

Mr. Whitney is head of the Management and Marketing Institute, New York. He predicts that the period 1965-1970 will find more and more companies building sales and marketing savvy into other departments—credit, billing, production and all the rest.

This will come, Mr. Whitney reasons, because quality differences in many product lines are becoming less distinguishable. As that happens, he says, companies will scramble for customer favor by pulling out all the stops in the human relations of marketing: Knowing the right people. Cultivating friendships. Providing prompt, efficient, courteous service.

Here are other predictions he makes:

A growing number of companies
(continued on page 21)



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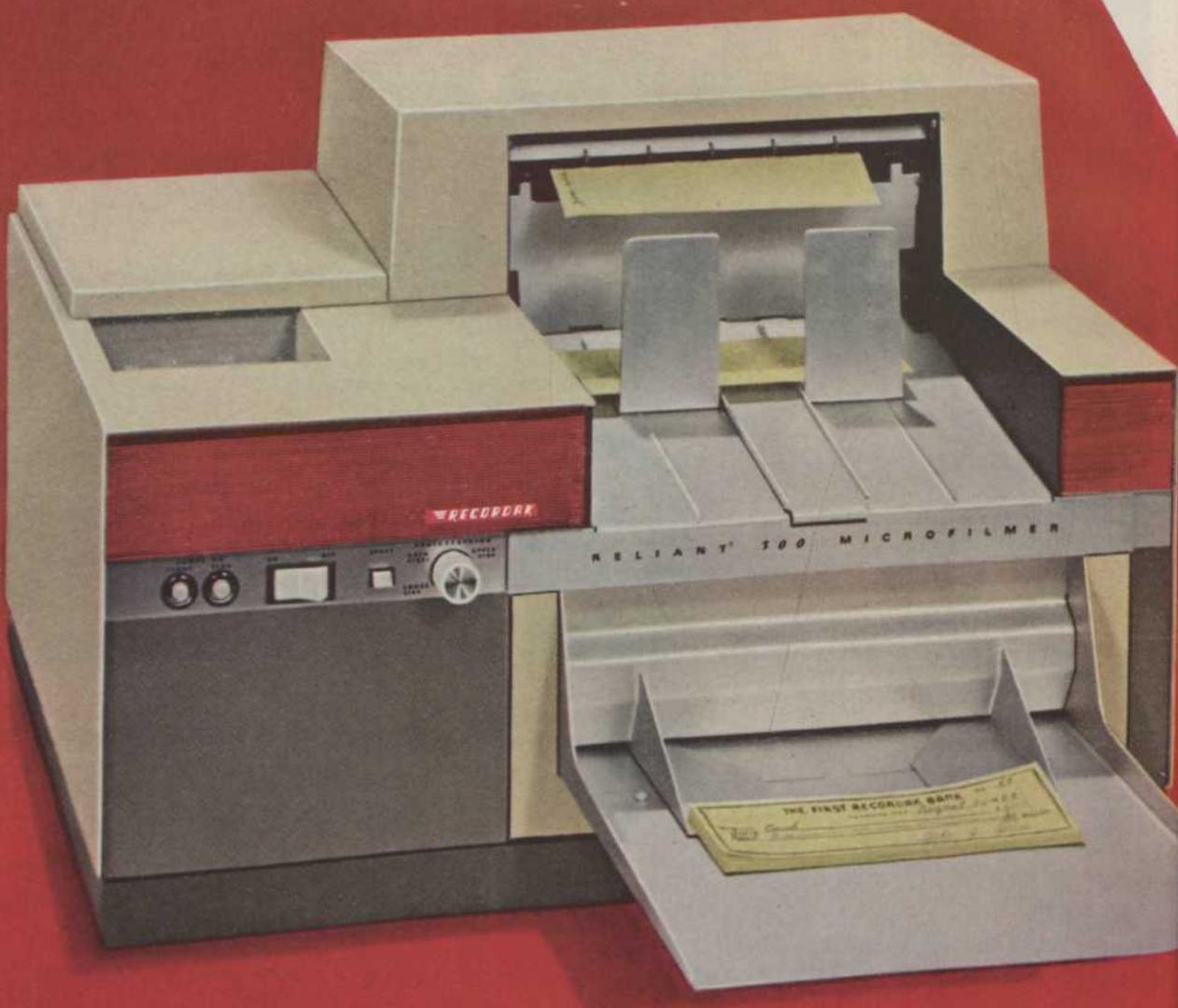
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EXECUTIVE TRENDS

continued

will do more of their market/sales planning farther in advance; instead of a generalized market plan, they will rely more on plans which pinpoint specific products and markets most likely to yield a profitable return.

You'll see more training of marketing personnel, particularly field supervisors. "Better supervision is the only sure way to trim the traditionally high rates of turnover—and hence, cost—in selling," Mr. Whitney contends.

Advertising budgets will be planned months earlier than is generally the case now.

Computers will handle more of some elements of marketing—sales forecasting, quota determination, territory analysis—but human relations will, at the same time, become more, not less, important.

For more on business in the last half of the 1960's, see articles starting on page 36.

• • •

You may have heard this statement: "Training programs won't succeed unless they have the backing of top management."

The reasoning runs that unless chief executives take a direct interest and even participate in programs for developing managers the programs will amount to little more than time-consuming exercises.

A soon-to-be-published study indicates that in many companies, particularly smaller ones, management training courses are not getting vigorous top management endorsement.

The study was prepared by the University of Minnesota's Division of Research, Graduate School of Business Administration, for the Small Business Administration. It covered 600 large and small manufacturing concerns.

Prof. Douglas C. Basil, who directed the research, reports that the number of formal training programs in larger companies far outstrips that of smaller. While this might seem somewhat predictable, Professor Basil also finds that most top managers—in companies of all sizes—tend to look upon development programs as something for their subordinates, but not for themselves.

The man who is least likely to have completed a formal management course: the top-ranking engineering manager.



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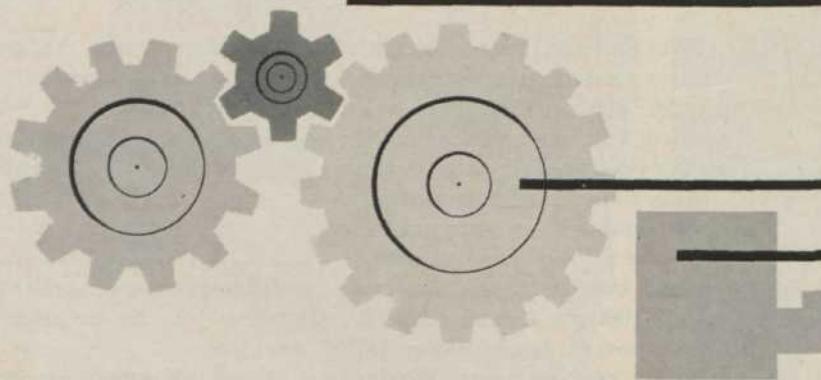
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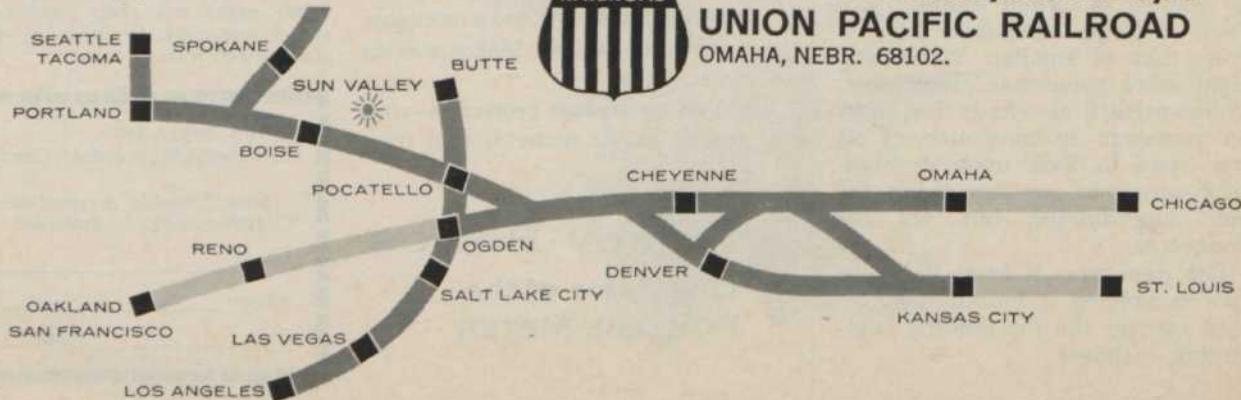


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Emotional campaign will test voters' judgment

BY PETER LISAGOR

BEFORE THE 1964 PRESIDENTIAL CAMPAIGN draws to its merciful end in November, more questions are likely to be raised than answered about the true state of affairs in the nation. This is not an abnormal condition. In the hard-fought political battles of the past, truth often has been an early casualty, and confusion has almost always overwhelmed clarity.

Even the issues get a little fuzzy in the oratorical steam clouds. What is an issue to one candidate is considered a slander by another. It may be possible to develop issues through high-minded debate and a minimum of deceit and din, but the odds are against it. It's not that either Lyndon B. Johnson or Barry M. Goldwater believes he can hoodwink or bamboozle the voters with phony or outlandish arguments. It's simply a case of both trying to meet the demands or expectations of a diverse society, in which conflict and contradiction work to pull them one way in the South and another in the North, this way in the urban sprawl of the industrial East and that way in the farm belt of the Middle West.

It is not, of course, as easy today to shape an issue to regional specifications as it once was, and neither the Republican nor the Democratic candidate can idly pledge in Dallas something he wouldn't stand still for in Duluth. He will be instantly exposed by the tape recorder, that device which began to come into its own in the 1960 presidential campaign and has become an affidavit of sorts to newspapers and television networks in this year's race. Henry Cabot Lodge, the G. O. P. vice presidential candidate in 1960, found out that he could not tell an audience in Harlem that a Nixon Administration would consider a Negro for the Cabinet without promptly undermining support for his party in Southern areas. Mr. Lodge could claim he was misquoted or misunderstood in an effort to repair the damage. But today, in similar circumstances, a radio man is almost certain to have a piece of tape to play back.

Peter Lisagor is White House correspondent for the Chicago Daily News.

Some issues are manufactured out of flimsy material that rarely lasts beyond the first Tuesday in November. The so-called missile gap which John F. Kennedy exploited at length in 1960 turned out to be a miscalculation by U. S. intelligence experts and not a serious defect in the nation's defense posture. On the other hand, it sometimes happens that what a candidate is condemned for today becomes the accepted doctrine or even the law of the land tomorrow. Adlai Stevenson, the Democratic nominee in 1956, called for a suspension of U. S. H-bomb tests during the campaign and was bitterly assailed as irresponsible. Not many months later, President Eisenhower did in fact agree to a moratorium on the tests.

So far as issues go, Senator Goldwater has both



Both Senator Goldwater and President Johnson can be blistering, as well as restrained, in political debate

an advantage and a disadvantage in his campaign against the incumbent President. The Republican nominee has been able to go on the attack, and in politics, as in football, the best defense is a good offense. Charges of excessive spending, faulty foreign policies, a spreading government bureaucracy, inept leadership and so on have been among the standard arguments used by the outs against the ins. Mr. Johnson has, of course, countered with the Administration record, emphasizing the nation's gains

TRENDS: WASHINGTON MOOD

and successes, its stability in an unstable world, and so on. The advantage, however, remains with the man on the offensive so long as he can make a reasonable case, one that has substance and appeal and credibility.

Where the President has an advantage is in the mere fact of incumbency. If you travel out in the country with a President, you soon discover that his appearance is far more than a political junket. It is frequently regarded as an event of major importance in the community, in the county and even in the state. It has some of the flavor of a Fourth of July celebration, or a state fair. To the children, it is a civics lesson, as well as a date to be remembered. Local newspapers, which are often in opposition, break out their best pictures and their biggest type to herald the visit, not of a candidate for the presidency, but the President himself. There are patriotic overtones, and the whole affair becomes a kind of commercial which the Democratic National Committee must surely reckon to be a bargain.

By the same token, the free space and attention the President gets must cause silent grief in the camp, and in the coffers, of the Republicans, who are required to spend vast sums to stir up comparable crowds and interest. In the conduct of his office, the President can, and does, appear on the front pages and on the television screen almost daily. Attending to the sober, complex, arduous tasks of state is campaigning of a high order, and places an added burden upon the Republican challenger to find ways and means of compensating for it. At the same time, though, the President daily faces the risk of a misstep or false move, an act committed or omitted, which can give his opponent that cherished break.

Although the expectation here in the capital is that the campaign language will grow more bitter and pointed as emotions rise and the election date approaches, it still has a way to go to reach the same note of stridency and the same tartness that has marked some presidential races in the past. Both Senator Goldwater and President Johnson are capable of searing personal sallies if it comes to that, but somehow modern politics has developed a more genteel, if not gentlemanly, quality. Oldtimers recall that when William Howard Taft and Theodore Roosevelt, both Republicans, fell into disharmony in 1912, they exchanged such epithets as "demagogue . . . fathead . . . apostate . . . brawler . . . Jacobin." And the portly Taft, forced to do battle with TR, his political mentor, could cry out: "This wrenches my soul." And in his turn, TR could bellow in full-throttled rebellion: "We stand at Armageddon, and we battle for the Lord." The G.O.P. convention in San Francisco had some fairly stern language used but nothing of the barroom variety, except for the one intemperate thrust by Senator Goldwater, in which President Johnson was called a faker and a phony.

No one in Washington doubts the intensity of this

campaign, however. Its emotional content is admittedly great because Senator Goldwater is presenting what he and his followers call a conservative choice to the moderate-liberal course followed by recent administrations of both parties. In their desire to limit the role of the federal government and to pursue a more militant policy against communist aggression, they have built up quite a head of steam. There is more zeal among many of the supporters of the Arizona senator than a presidential candidate has been able to summon in quite some time. They take their politics dead seriously, and if they do not believe, as Theodore Roosevelt did, that they stand at Armageddon, they do obviously feel that the nation is at a crucial crossroads in its history.

• • •

In these circumstances, the real issues tend to be obscured in an emotional overcast. The country may be prosperous, but somehow prosperity as an issue is clouded by other factors, such as the suspected resentment by many middle-class Americans of the Negro's pressure for civil rights. The country may be relatively peaceful—and the word relatively is used advisedly because of the fighting in South Vietnam—but this condition is distorted and fears are stimulated by the continued encroachments of the communist powers in Southeast Asia and the presence of a communist base in Castro's Cuba. In a political campaign at best, even the most complicated problems of the society fall prey to the broad-brush, overly simplified treatment, and solutions seem easier than they really are. Both candidates are busy making their appeals as tidy and palatable as possible. But where emotionalism is especially rife, the candidates are prone to sway with it—and this is when the rule book of politics is rewritten. Many already are comparing this year to 1928.

In that campaign, the candidacy of New York Gov. Alfred E. Smith on the Democratic ticket produced a highly charged political atmosphere. Governor Smith was a Roman Catholic and he was opposed to prohibition, and therefore was considered anathema to many voters in the South and in the Bible Belt of the Middle West. The campaign against Governor Smith, whose Republican opponent was Herbert Hoover, eminent engineer, humanitarian, public servant, was a bitter compound of rumor and innuendo. It needn't have been, because Mr. Hoover's credentials were extremely appealing. A picture showing Governor Smith standing at the opening of the Holland Tunnel in New York City was circulated in the Southern states, with the legend that the tunnel was to be extended under the Atlantic to a basement in the Vatican in Rome. Because he was a wet, the governor also was rumored to have been seen falling down drunk along the campaign trail.

The American electorate today is believed to be too sophisticated and too well informed to tolerate such personal abuse of a presidential candidate as was heaped upon Al Smith. The hope here is that it keeps its collective wit as it continues to be inundated with arguments and oratory in the contest for the free world's most powerful and burdensome and exalted position.



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Voting system adds to election uncertainty

BY FELIX MORLEY

ONE OF THE USES OF HISTORY is to remind us that what is happening today, whether agreeable or disagreeable, is in neither case unprecedented. Almost without exception a comparable situation can be found somewhere in the pages of the past. "There is nothing new," as a French couturière once said of styles in women's clothing, "except what has been forgotten."

This reflection, as applied to the lively sphere of current political activity, is encouraged by George H. Mayer's very readable study of "The Republican Party, 1854-1964," published recently by the Oxford University Press. Mr. Mayer, who is professor of American history at Purdue University, completed the writing of this 563-page volume early this year, and therefore makes no reference to postnomination tremors in the G. O. P.

But he does remind us that the long history of this party has seen some really terrific feuding and fighting, none of which has as yet caused it any permanent injury.

The first and probably most serious of the party's many crises was that which flared up when Andrew Johnson assumed the presidency as Lincoln's successor. What the country witnessed, in the highly emotional atmosphere following the Civil War, was a determined effort by the Republicans in Congress to unseat the leader whom they had earlier agreed to name vice president. It is a notable coincidence that the discord centered on civil rights legislation, which the then President Johnson regarded as unconstitutional and vetoed freely.

So the radicals, as the Republican followers of Rep. Thaddeus Stevens were called, obtained impeachment of Andrew Johnson by the House. Democratic senators, not those of his own party, narrowly saved the President from utter disgrace when, in May of 1868, the Senate sat as a court on the issue of ousting him from office. The affirmative vote of 35 to 19 fell just one short of the two-thirds majority necessary to convict. And of the minority which saved this Republican President, only seven were Republicans.

This bitter factional fight, of course, prevented renomination of Johnson, in the immediately subsequent campaign of 1868. But the wounds healed quickly. They did not prevent the easy triumph of General Grant over his Democratic opponent in November of that year.

The G. O. P. suffered more injury, though again transient, in its crisis of 1912, when Theodore Roosevelt bolted, after his defeat for the nomination by William Howard Taft. The new Progressive Party, generally



President is actually elected by State electors like the New York group shown casting ballots in '60 election

dubbed Bull Moose, cut Taft to eight electoral votes, gathering 88 for Roosevelt. The effect of the split, however, was to give 435 electors to Woodrow Wilson, who got only 42 per cent of the popular vote.

Yet in another four years the reunited Republicans came very close to defeating Wilson for a second term. And four years after that, in 1920, they came to power again.

A third major Republican disaster, or so it seemed at the moment, was the rout of 1936, when F.D.R. secured his second term, against Governor Landon, by an electoral landslide of 523 to 8. From this defeat

TRENDS: STATE OF THE NATION

the recovery of command was slow. Nevertheless the comeback came, under Eisenhower. And the swing of the balance to the Democrats, four years ago, was by a very narrow margin.

Writing before the current Republican nominations were made Professor Mayer naturally (and wisely) avoids prognostication about this year's election. He does quote Richard Nixon's condemnation, in 1960, of the "almost cannibalistic urge" of Republicans "to destroy and consume one another." On the other hand his thorough survey shows that this characteristic, whether or not overdrawn, has never resulted in more than temporary setbacks.

In its generalizations this well documented study necessarily ranges beyond the party on which it concentrates. And it presents much evidence to suggest that in American political life internal dissension has throughout been less injurious than apathy.

Thus the Whig Party, from the collapse of which Republicanism emerged, is said to have fallen to pieces not so much because of disagreements over slavery, but more because of "identification with causes that had ceased to be important." What then gave the new party its rousing start was Lincoln's conviction that Republicans must not "sit on the fence like benumbed prairie chickens in winter."

• • •

It was the Republican Party which, in Professor Mayer's opinion, "started a trend toward centralization of party doctrine and discipline." Prior to 1854 every national party, whatever its name, was "a coalition of autonomous State parties." Since the adherents would have different objectives in different States it was "virtually impossible for a party to unite on any national enterprise except the election of a President." The national committees "limited themselves to routine correspondence and to raising money for expenditure in doubtful States."

By the same token it was difficult for the President, when elected, to be a forthright leader. His essential task was to conciliate the factional groups which had combined to give him a majority of the Electoral College vote. This involved continuous compromise and meant, for instance, that a President would think twice before doing anything which might turn a powerful State organization against him. Between Jackson and Lincoln, and also after Lincoln, we find long periods in which congressional leaders, rather than Presidents, determined party policies.

Despite the many changes that have come with the growth of national power, one factor continues unchanged from the times when the President was a coordinator rather than a policymaker. He is still elected indirectly, by a State-based electoral vote which varies greatly from the division of the popular vote. The importance of this factor can be realized by recalling the 1936 election, in which Roosevelt received over 98 per cent of the all-important electoral vote, but only 60 per cent of the votes cast by the people as a whole.

For the first time since its origin the Republican Party this year has a chance to win in every State. It is not handicapped by the bloc of southern electoral votes which used to be destined for the Democratic candidate. On the other hand there is no assurance that States which have been traditionally Republican will remain that way. The old molds have been broken and the shrewdest politicians have no certainty as to the shape in which they will reform.

This is additional to the fact that presidential elections are normally unpredictable with any scientific accuracy, simply because it is the electoral vote and not the popular vote that really counts. For this reason public opinion polls based on samplings of voter preferences can be accurate only to extent that these control the electoral vote.

Throughout the 1960 campaign, for instance, no pollster even mentioned Sen. Harry F. Byrd, since he was not a candidate. Yet in the upshot he received 15 electoral votes, almost twice as many as that gained by the Republican candidate in 1936. This year again there are unpledged electors, and others who may decide to vote as the spirit moves them, which they are legally free to do.

• • •

Increasingly, in recent years, students of American government have been urging a reform of the Electoral College. Its most criticized aspect is the "winner-takes-all" procedure, whereby the entire electoral vote of a State goes to the front runner, even though he may have only a plurality of the State's popular vote if minor candidates are on the ballot there.

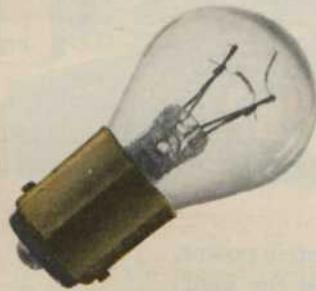
The easiest improvement, preserving the federal structure, would be to have the electors vote as their congressional districts go. If sponsored by both major parties this could probably be accomplished by simple legislative act. It would not necessitate amendment of the Constitution because it can be shown that this was the system the Founding Fathers anticipated. It was not required because of the belief that the discretion of the individual presidential elector should not be limited.

At present any reform is blocked by the unwillingness of professional politicians to accept a change. When the prize is the 43 electoral votes of New York, or the 40 of California, it seems desirable to strive for the whole bag, rather than to settle for a division which would split a State's electoral vote as its congressional districts are divided. Moreover, campaign contributions flow most easily to the populous States where a unit electoral vote counts heavily.

Now, however, the Supreme Court has ordered congressional redistricting on the basis of equal population. If it is proper that every vote should have equal weight in electing a member of Congress, it is certainly appropriate to apply the same principle to the far more important election of a President.

The variation between the popular vote and the electoral vote for President is always sharp, but this November could easily be unusually pronounced. If so a result will certainly be increased demand for overdue reform in the undemocratic and unrepresentative system which makes it possible to elect a President on a minority of the popular vote.

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RETAIL SALES IN SOUTHEAST OUTGAIN NATION

Total Exceeds \$17 Billion in 1963 for Alabama, Georgia, Florida and Mississippi

Retail sales for the states of Alabama, Georgia, Florida and Mississippi reached a record high in 1963 of \$17,336,900,000. This represents an increase in total retail sales for the 4-state area, 1953-63, of 67%, compared with a gain of 43% in the same period for the United States.*



Almost a billion-dollar climb in retail sales was registered in 1963 over 1962 for the 4-state area. Continuing growth in retail sales at a rate faster than that for the nation is indicated for the Southeast and for this area in particular. Strong evidence that this growth will continue is found in commitments in the Southeast for new stores, additions and alterations—\$75,872,000 for the first four months in 1964 compared with \$61,986,000 for the same period in 1963.**

Abundant, low-cost electric power, cooling and heating stores for year-round shopping comfort, is supplied by companies of The Southern Company system. During the period 1953-63, inclusive, the system has spent nearly one and one-half billion dollars for generating plants and transmission and distribution facilities. An additional \$600 million expansion program is planned for the period 1964-66.

These facts spell opportunity.

Significant and continuing growth in this four-state area is shown by these pertinent comparisons:

	4-State Area	United States
Rate of Gain 1953-1963		
Bank Debits	129%	113%
New Businesses Incorporated	139%	80%
Motor Vehicle Registrations	78%	47%

SOURCES: FEDERAL RESERVE SYSTEM AND U.S. DEPT. OF COMMERCE.

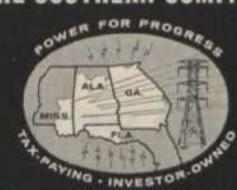
Power and Progress...

Partners in the New South

*Special Analysis by Sales Management

**F. W. Dodge Company, a division of McGraw-Hill, Inc.

THE SOUTHERN COMPANY



3390 PEACHTREE ROAD, N.E. ATLANTA

Alabama Power Company Birmingham, Alabama
Georgia Power Company Atlanta, Georgia
Gulf Power Company Pensacola, Florida
Mississippi Power Company Gulfport, Mississippi
Southern Electric Generating Co. Birmingham, Alabama
Southern Services, Inc. Birmingham, Alabama

WHAT YOUR CITY NEEDS TO GROW

Success stories prove urban problems can be solved on local level without federal subsidies

A BIG CITY's jagged skyline has a story to tell.

Towering headquarters of the petroleum industry dominate the horizon of Houston, Texas. Nearly a third of the nation's refining capacity is located in the area.

Lofty banking and life insurance buildings make it apparent that Dallas is a financial center. It's first in the South in bank deposits.

Besides indicating major sources of economic activity in each community, these glistening new structures give impressive evidence of the growth of the Southwest. Houston today is probably the fastest growing city in the nation. Dallas in the past decade added more office space than any other U. S. city except New York.

But the real story of the growth and progress of these two expanding urban centers is not in the granite and glass of their multimillion-dollar buildings. It's not in their economic sources of wealth. It is in the attitude and vision of their people, particularly the business leaders of each community.

Anyone who is interested in the future of his city—and today nearly three out of four of us live in urban areas—can look to Houston and Dallas for guidance.

At a time when the problems of big cities are being increasingly agonized over in Washington, the cities

of Houston and Dallas in the President's own home state are handling their own urban affairs with notable success.

These two Texas cities are the largest in the U. S. which have never resorted to the federally subsidized \$4 billion urban renewal program which the Administration now wants to expand by another \$1.4 billion.

Houston and Dallas are as different as the live oak and the mesquite trees that dot the rolling Texas plains. But both cities are proving they can rebuild their downtown districts imaginatively and profitably with their own resources and in their own ways—without help or hindrance from Washington.

"Nobody can kid himself for very long that money is any cheaper if it's collected from Uncle Sam," energetic Mayor Louie Welch of Houston told NATION'S BUSINESS.

In Dallas, the affable president of Lone Star Gas Co., Lester Potter, declares: "As great as our federal government is, the problems of our cities are too complex and individually distinct to be directed from Washington." Mr. Potter heads a citizens' slum prevention committee.

To the majority of private citizens and city officials of both Houston and Dallas the idea of solving strictly local problems themselves seems natural and realistic. Among the thoughtful leaders there is no



New hotel and office building are only the beginning of Houston's privately financed, \$125 million Cullen Center. Mayor Louie Welch is proud of city's ability to accomplish its own modernization

rabid antigovernment bias. They will tell you calmly, as does, for example, W. T. Overton: "We think it's the responsibility of businessmen to solve the redevelopment problems of our cities here. If the businessman doesn't assume this responsibility, the federal government will." Mr. Overton is the young president of the Dallas, Texas Corporation, which is developing a privately financed \$120 million downtown renewal project.

— This is typical, too, of the kind of attitude that has enabled Houston to rebuild half its downtown sector since World War II. That city has seen about \$150 million in construction just in major buildings downtown in the past decade with the prospect of about \$400 million more being spent in the next several years on land already substantially cleared of rundown properties.

It is symbolic of the thinking that has helped bring about \$207 million in private investment in buildings since 1950 in Dallas. And some \$275 million more is expected to be completed or under way downtown by next year. Included are office buildings, parking garages, hotels, stores and civic buildings.

Of each investment dollar downtown in the 1950's, 93 cents came from private sources. The balance was for city or county government in Dallas. "This demonstrates the great faith in the future of the central district, particularly by private enterprise," says Lloyd Braff, executive secretary of the Central Busi-

ness District Association of Dallas and former city traffic engineer.

Multimillion dollar projects

Some examples of the most spectacular private or local-civic projects are:

1. *Houston's Cullen Center.* This is to be a \$125 million complex of office buildings, hotel, garages, apartment towers and plazas on a 12-acre plot in the southwest corner of mid-town. Already up is a 21-story, \$15 million office building, an adjoining garage and the \$6 million Hotel America.

To be built next at Cullen Center are two 25-story high-rise apartment houses; then a 52-story office building with over a million square feet of office space. A third office building is to come later as part of the interconnected, air-conditioned complex.

Cullen Center is urban renewal through private enterprise. Much of the area a decade ago was crowded with old residential properties that had degenerated into \$5 a week rooming houses. The first parcels of land were bought in 1948 by Hugh Roy Cullen, an oil millionaire who channeled much of his wealth into medical research and education. Some of the land was acquired easily. After Mr. Cullen bought the first property, many residents of the section asked if he would buy their properties too. But it was not all that easy. One of the problems of private developers—who do not have the power of



Vincent Carrozza, vice president of private group developing Main Place in Dallas, looks at model which is shown at right on top of Texas Bank building lined up with background as actually planned



condemnation of a governmental body—is acquiring a large enough package of land to make such a huge complex economical or even possible.

Gerald E. Veltman, president of Cullen Center, tells of one property holdout. A retired school teacher who was something of a recluse, she refused to talk with Mr. Veltman or anyone who wanted to buy her aged house.

Finally, a friend informed Mr. Veltman that the elderly teacher came out on the front porch to sit in her rocking chair each morning at 10 o'clock. So Mr. Veltman stealthily made his way to the lady's home the next morning. Crouching behind an oleander shrub, the determined lawyer waited for the woman to come out.

Promptly at 10 o'clock, she came out, eased herself into her rocker and began to sway back and forth.

"When she got going good and began the back-rock," Mr. Veltman recounts, "I sprang out from behind the oleander and raced toward the porch while she was on the back-rock and couldn't see me coming. I caught her before she could get to the door and made my pitch."

The aging woman finally sold out. When the new owners took over the property for demolition they found it was a potential fire-trap, with all exits but the front door blocked.

2. Dallas' Main Place. This is a proposed \$120 million, 10-acre project in the core of downtown Dallas.

It is to be an array of commercial, recreational and cultural facilities organized around open plazas. Like Cullen Center, it is to be financed entirely by private capital and will replace a deteriorating section of the central city. The land for the projected urban complex is partially cleared now and excavation is supposed to start by the end of the year.

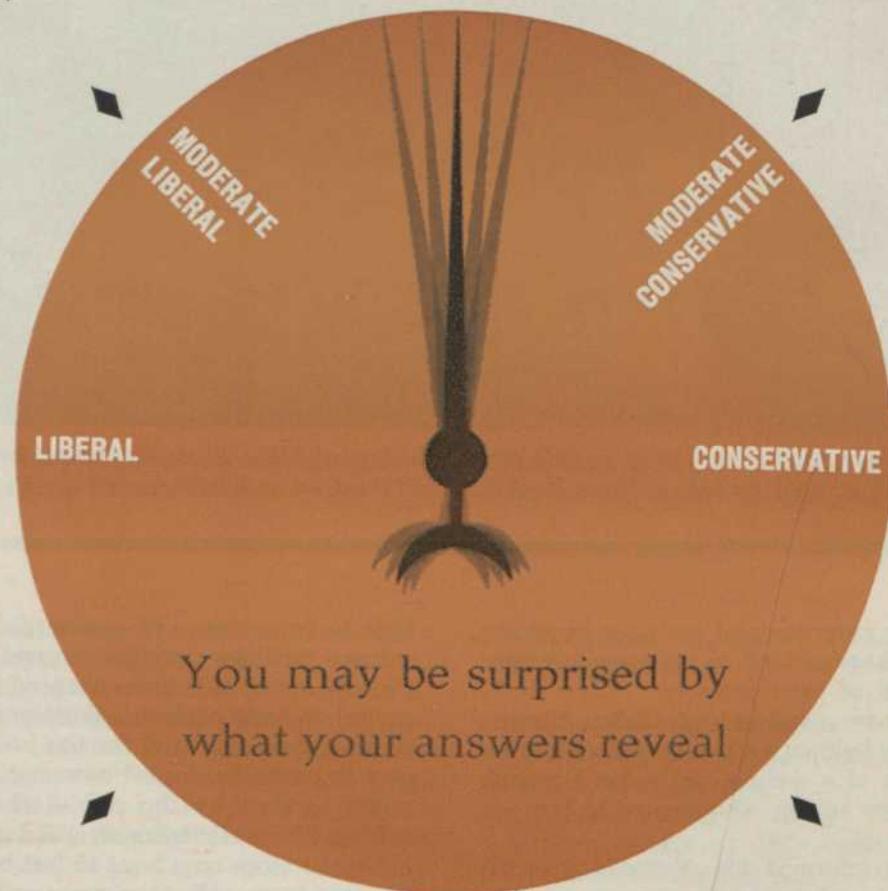
Main Place embodies several daring concepts. One is a super block on a level 15 feet below the surrounding area to provide open space and pedestrian access to all parts of the development without crossing streets. The first part of the project, according to its developers, will be a 34-story office building with a million square feet of office space, retailing space below the street level, plazas and an 800-car garage.

The second and third phases of Main Place will be another office building of 1.4 million square feet, a department store, a hotel and 165,000 feet of retailing, recreational and cultural facilities and a 2,700 car garage. The second office building will straddle Main Street, a plan already approved by the Dallas City Council. There will be five levels below the plaza to a depth of 65 feet for service facilities and parking.

The design objective of Main Place is concentration without congestion. This is to be achieved by separating different kinds of traffic on various levels and thereby increasing the efficiency of space. Traffic would also

(continued on page 44)

TEST YOUR POLITICAL BELIEFS



You may be surprised by
what your answers reveal

WHERE DO YOU stand in the many-hued political spectrum of America?

This question has a special significance in an election year which finds distinctions between candidates and parties being even more hotly debated than usual.

On the opposite page is a multiple-choice quiz which can help you determine in what category your own views place you.

The quiz was designed by Clyde Edwin Johnson, former executive

director of the Democratic Party in Texas, and John Shelton Davis, a doctoral candidate in public administration at the University of Texas. They drew upon studies made by political scientists over the past several decades.

Mr. Johnson now heads an advertising and public relations firm in Austin; Mr. Davis, at one time an administrative assistant in the Treasury Department's Bureau of the Public Debt, is a consultant who has written on management engi-

neering and banking. The two men put together the test questions because they were interested in isolating "responses that are meaningful in terms of political allegiance."

Described as a "Political Inventory" by its authors, the quiz probes an individual's attitudes toward general issues which distinguish conservatives, moderates and liberals. There are no right or wrong answers. Simply check the answer you prefer—the one more clearly reflecting your personal opinion.

1. The first concern of federal government should be a sound business climate. Then, all other problems would tend to take care of themselves.

- a. True.
- b. Generally so.
- c. Not quite the case.
- d. False premise.

2. Government must seek to provide each individual and family with adequate economic opportunity, through public programs if necessary.

- a. False.
- b. Only in emergencies.
- c. On a limited scale.
- d. True.

3. Government is best limited to settling disputes and providing minimum restrictions on business and individuals.

- a. True.
- b. Generally true.
- c. Doubtful principle.
- d. False.

4. Government has a positive function and should be used by the people to promote policies beneficial to the whole community.

- a. Dangerous.
- b. Not generally true, infringes on private rights.
- c. True in most cases.
- d. True.

5. Government should provide unemployment insurance and other forms of social insurance to relieve business of this responsibility and to maintain the market.

- a. False.
- b. True.
- c. To a degree, true.
- d. Wrong purpose.

6. Present social security programs constitute a pattern for future and more extensive programs that are needed now.

- a. False.
- b. Modifications may be in order.
- c. On a limited scale, true.
- d. True.

7. Government which governs least governs best.

- a. True.
- b. Not always true.
- c. A questionable principle.
- d. False.

8. The United States must con-

tinue its programs for developing underdeveloped nations of the world.

- a. False.
- b. Yes, to develop and protect markets for U. S. trade.
- c. Yes, on a limited scale—to improve their living standards.
- d. True.

9. Public welfare programs are:

- a. Wrong; relief is a private affair.
- b. Best left to state and local governments.
- c. Needed on a limited basis from all levels of government.
- d. Best coordinated and carried on by the federal government.

10. Wage and hour legislation is:

- a. Wrong; it should be a contract strictly between employers and employees.
- b. Useful to business when administered by state and local governments.
- c. Satisfactory as it now stands.
- d. Good but should be expanded to cover all workers.

11. The right of labor to organize and bargain collectively should be:

- a. Free from any government interference or protection.
- b. Regulated by law to protect the interests of business and the public.
- c. Protected by law in the public interest.
- d. Guaranteed by law to protect labor unions.

12. Every man individually is responsible for the welfare and prosperity of himself and his family.

- a. True.
- b. True, to a large degree.
- c. Yes, if the whole society is prosperous and people have equal opportunities.
- d. False, because no man can stand alone.

13. When jobs are scarce, government should take up the slack by:

- a. Direct minimum relief at state and local levels if possible.
- b. Special programs to stimu-

late job-producing business and industry.

- c. Public works programs to supply needed jobs and encourage business expansion.
- d. All means available, including new legislation to protect and increase the incomes of working people.

14. Taxes should be:

- a. Minimized to support only essential government services.
- b. Adequate to support essential government programs.
- c. Levied in accordance with the ability to pay.
- d. Used to regulate the economy and guarantee equal opportunity to all.

15. Housing and slum clearance problems are matters that are best handled by:

- a. Private property owners acting in their own interests.
- b. Local and state agencies closest to the problems.
- c. State and federal programs now in operation but in need of additional implementation.
- d. An expanded and more extensive federal program.

16. Public education is:

- a. Exclusively a local matter.
- b. A function of state and local authorities.
- c. Important to the whole national economy and requires some federal support.

(continued on page 64)

See page 64 to find
what your answers
show about your
political leanings

GREATER WAGE-PRICE STABILITY AHEAD

DURING THE SECOND HALF of the 1960's:

- Hourly pay rates will rise about as they have during the first half.
- Consumer prices will keep advancing at a moderate but tolerable rate.

This is the consensus of leading economists in government, business, labor and academic fields who were asked by the editors of NATION'S BUSINESS to size up the wage-price outlook over the next five years.

At least two mixed words of caution with their generally rosy predictions.

"There will probably be one moderate recession which could come in late 1965 or early 1966," warns William F. Butler, vice president of the Chase Manhattan Bank, New York.

"We are moving into a period of more rapid economic growth, but I do not expect it to be smooth and even."

The U. S. Department of Commerce's Louis J. Paradiso, associate director of the Office of Business Economics, is less positive than Mr. Butler in his warning of possible trouble ahead.

"Business will move generally upward throughout the remaining years of this decade," he predicts, then hedges, "This does not necessarily infer that a temporary setback could not occur during this period."

Chairman Walter W. Heller of the President's Council of Economic Advisers sees continuing price stability, strong markets and

strong gains in productivity to offset rising costs.

His optimism presumes a continuation of government policies and responsible decisions by business and labor to which he attributes the favorable trend of the past three and a half years.

"This record has grown out of private and public policies that have been expansionary without being inflationary," Mr. Heller told NATION'S BUSINESS.

Federal fiscal and monetary policy has steadily strengthened both markets and incentives.

"Businessmen have been cost-conscious and forward-looking in planning their inventory and capital spending.

"Labor has bargained hard but responsibly, and total labor costs have closely matched a sturdily rising productivity trend."

A test on the way

Commissioner Ewan Clague of the Bureau of Labor Statistics believes that the higher rate of economic growth and closer balance between supply and demand in both labor and product markets, which is in prospect by 1970, will test our ability to achieve full employment without inflation.

"Pressures on costs are likely to rise," he says, "with the likely development of labor and capital shortages in some areas."

He sees some factors as helping to moderate wage and price movements.

"Among these," he says, "are increased competition, a widening

range of substitute materials, better control by business of inventories and capacity, and better training, counseling and placing of workers.

"A continuing healthy increase in productivity can help to offset the effect of wage increases on labor costs."

Rising prices and labor costs raise no threat of serious inflation, the economists seem to agree. J. Howard Craven, vice president and chief economist, Bank of America, San Francisco, says:

"Productivity in the United States is still rising, with considerable further advance in the offing. There is good reason to expect that increases in total labor costs will generally be held within the range of productivity boosts."

In support of his optimistic view, Beryl W. Sprinkel, vice president-economist of the Harris Trust and Savings Bank, Chicago, asserts there is "every reason to believe that the intensity of the business cycle has been greatly moderated.

"Postwar recessions have been mild and we are now enjoying the longest uninterrupted, nonwar business expansion in history.

"Techniques for curbing recessions are better understood and there are good political and economic reasons for believing they will be vigorously applied when needed."

An unusual observation is made in regard to salaries by Noel A. McBride, vice president, Cleveland Trust Co.

"Starting salaries will tend to (continued on page 100)



William F. Butler of Chase Manhattan Bank looks for wages and prices to rise faster, with probably a moderate recession in one of the next five years

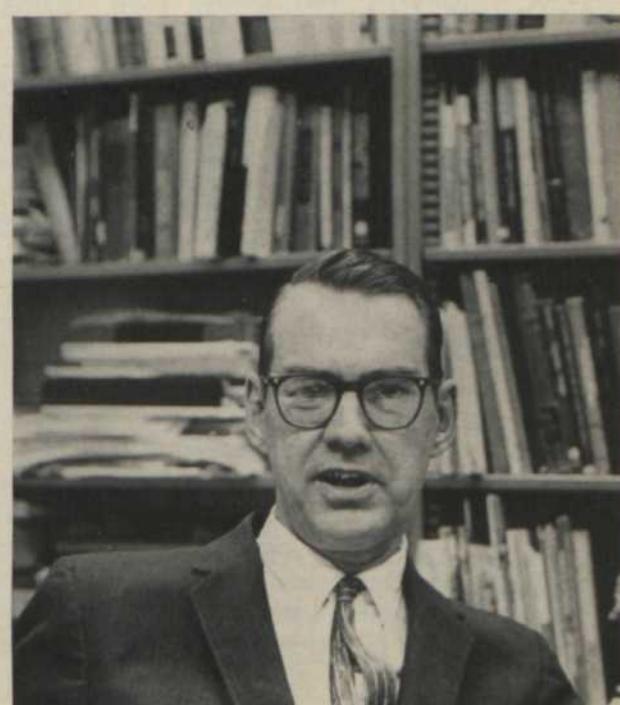


Du Pont's Ira T. Ellis feels that wage boosts will be held to three per cent a year because of sharply rising labor force and balance-of-payments problem

Beryl W. Sprinkel of Harris Trust & Savings Bank has confidence in our ability to moderate the intensity of the business cycle; sees curb on recessions



Robert M. Williams of the University of California thinks total hourly compensation will increase four to 4.5 per cent a year if current policies continue



HOW WORLD TRADE WILL CHANGE

FIVE YEARS FROM NOW one of your company's key offices could be located on a broad, bustling avenue in Nairobi, capital of the East African republic of Kenya.

There, in a city where lion hunters still plan safaris into the bush, determined young executives may huddle over plans for bagging even bigger game—sales to a market grown hungry for products stamped "Made in U. S. A."

Switch the illustration about if you wish. Make the city Lagos, Nigeria, on Africa's West Coast. Or modern, cosmopolitan Johannesburg at the southern tip of the giant African continent. The trend is more important than the place. For in Africa and in other underdeveloped countries expansion-minded American exporters are likely to find some of their most

productive markets in the second half of the 1960's.

The total world market for goods seems certain to swell to \$250 billion by 1970. If U. S. exporters can keep the same share of the market which they enjoyed last year, then they should be handling orders of more than \$40 billion a year by the end of this decade.

This is the measure of the prize money attached to the fight for world trade in the second half of the 'Sixties. Prospects for U. S. firms are excellent but no exporter imagines that the prize is there for the taking.

A close look at present trade and an estimate of future trends suggests a number of ways in which U. S. companies may have to adapt their thinking in the next five years. For one thing, they will cer-

tainly find tougher competition in their traditional markets, especially Latin America. But they should find compensating opportunities in such markets as Africa, where American salesmen tread less frequently than their European and Japanese competitors. It will probably pay Americans to give more attention to the developing countries generally, as these can be expected to absorb imports at a faster rate than they have been able to since the Korean commodity boom subsided.

As for the competitive position of American exports, the immediate outlook for prices is good but U. S. salesmen will find their lead in marketing techniques gradually cut back unless they can continue to develop new methods.

Two questions emerge

The question of how much foreign trade American businessmen can expect to be handling by 1970 is tied to two other questions: What will world exports total by then? And how big a share of this global sum will American exporters win?

World exports amounted to \$155 billion last year. If volume keeps expanding at four per cent a year—as in recent years—the total would be around \$205 billion by 1970. But there is good reason to expect a faster growth and this could mean a \$250 billion export total.

The trading world at present

"In this changing world only one factor is certain, and that is that some other things so cherished by economists will not remain equal," says Geoffrey S. Browne of this article on global trade prospects for the last half of the 1960's. Mr. Browne is managing director of The Economist Intelligence Unit of London, the world's largest private international economic research organization. Despite his cautious note on the risks of prophecy, Mr. Browne and his associates have prepared a projection of trade patterns over the next five years and the implications of these patterns for American companies. The forecast draws on up-to-date reports of changing business conditions by EIU specialists throughout the world.

falls into three groups: the rich industrialized nations, the poor developing countries and the Soviet bloc. Of these the first will undoubtedly provide the fastest expanding markets in the next six years. They did so in the 'Fifties and they will go on doing so for some time yet, although the margin between the speed of their advance and that of the markets in developing countries is likely to be reduced. And the goods that will be bought by the industrial countries in bigger and bigger quantities will be manufactured goods rather than raw materials.

The revelation of the 1950's was that trade between competing, al-

most identical, industrial countries—Germany and Britain, for example—could grow at a much faster rate than that between complementary economies (manufacturing countries on the one hand and primary producers on the other). Because West Germany and Britain both exported machine tools this did not mean that a vigorous specialized trade in tools could not develop between them. On the contrary, this kind of trade seemed to grow especially fast during periods of rapid expansion in world trade generally. This trend may well continue in the late 'Sixties as the technology of each industrial country becomes more refined.

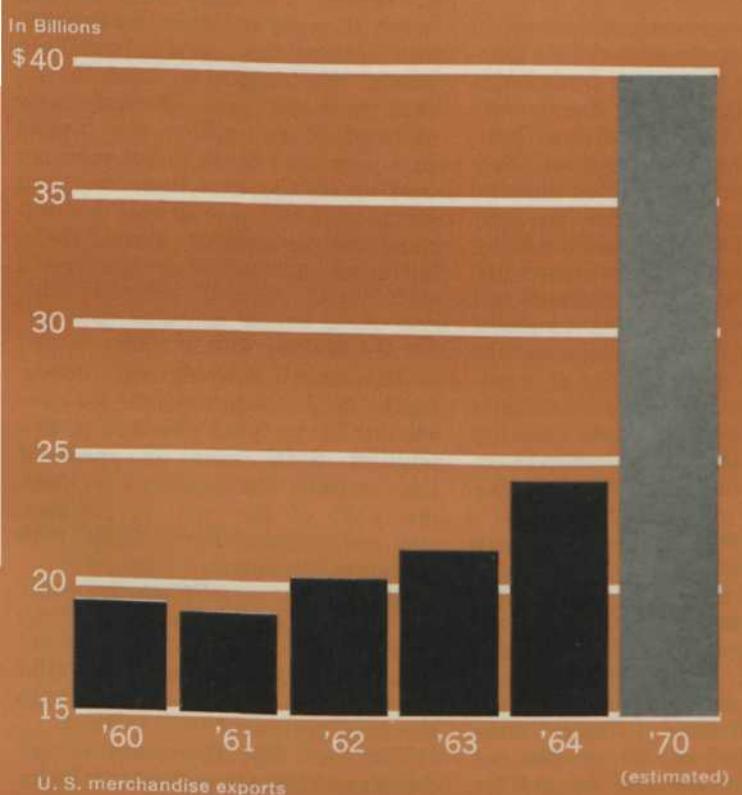
But because in the 1950's trade between rich countries grew much faster than that between rich and poor, it does not follow that it will always do so. Already there are some signs that the balance is changing. No one expects the markets of the poorer countries to grow as fast as those in the developed countries by 1970, but the difference between their rates of growth will be reduced. The poorer countries are likely to step up the rate at which their imports have been rising. The richer countries are not. Their import markets will probably expand at about the six per cent a year mark that they have been achieving lately. This is a fast rate but it probably will not be improved upon in the rest of the 'Sixties.

Grounds for saying this are not rock-hard; they never are. The two most important factors determining the volume of trade of the industrialized countries will be the pace of their own economic growth and the reduction of trade barriers, in that order. In the growth league the positions of individual industrial countries will certainly shift. The U. S. and the United Kingdom—laggards recently—can be expected to move up; each should be able to sustain growth of four per cent a year, although a little less is more likely. The startling increases in German and Italian output will not continue and this will bring down the pace of expansion in the Common Market's total output, perhaps to around 4.5 per cent, a one percentage point drop from recent years.

A four per cent growth rate in the United States would help to boost output elsewhere, particularly in Canada. So would the faster expansion that can be confidently forecast for the European Free Trade Association group of countries. For their size these are very big importers. Scandinavia, it is often forgotten, has one of the highest standards of living in the world. Expansion in EFTA stimulates international trade more than might be expected.

Putting together the pluses and
(continued on page 70)

U.S. sales abroad will double



PRIVATE SPENDING WILL STRENGTHEN PROSPERITY

THE OUTLOOK for commercial and industrial building during the half decade ahead is strong.

By 1970 business investment in new and larger plants will be running almost half again as high as this year's record.

The rate of spending for all new building will also leap ahead. Total construction—the new homes, hospitals, schools, churches, recreational buildings—will boom from \$67 billion this year to \$82 billion in the next five or six years.

The reasons for this growth are basic forces that also will be important to other kinds of business.

One such major force under way involves the consumer and his changing living patterns. For every six couples who marry nowadays, there is a demand for 10 new homes—a demand for more new homes than there are new households. Twenty years ago, the equation was reversed; 10 new marriages meant only six new homes.

Why this change? The catching up of housing supply with demand, higher incomes and differing social preferences all play a part. During the 40's and early 50's, for example, existing houses were rehabilitated and many existing houses were divided into several living units.

Many families doubled up. The market for housing, therefore, was to a large extent met temporarily by the more intensive use of existing structures.

But now fewer newlyweds move in with their parents and elderly people maintain their own households longer. In many cases, the parents of the bride and groom soon hunt newer, smaller homes than they have been living in. Rising incomes encourage more families to seek their own homes, instead of doubling up with relatives. More homes are being demolished, abandoned or converted to other uses because of age, location or other reasons. In addition, the maintenance of a satisfactory inventory of available housing to accommodate moving families or other new demands require more vacancies than in the past.

About 400,000 housing units are abandoned each year.

In considerable part this is due to the continuing rise in living standards. Incomes are rising about 1.5 per cent a year. This means that each decade people have about a sixth more to spend than the decade before. So people not only want but are able to pay for better housing. They will move

out of or rehabilitate housing which was good enough for them 10 years ago but doesn't fit their needs and desires for the future.

We see this happening without much thought in other fields, such as automobiles and household goods. We expect to have better cars year by year. Nobody gets alarmed if six million are junked in a year, and that's about nine per cent of all the cars there are. But we hesitate to recognize that almost one per cent of existing housing units can be lost or abandoned each year.

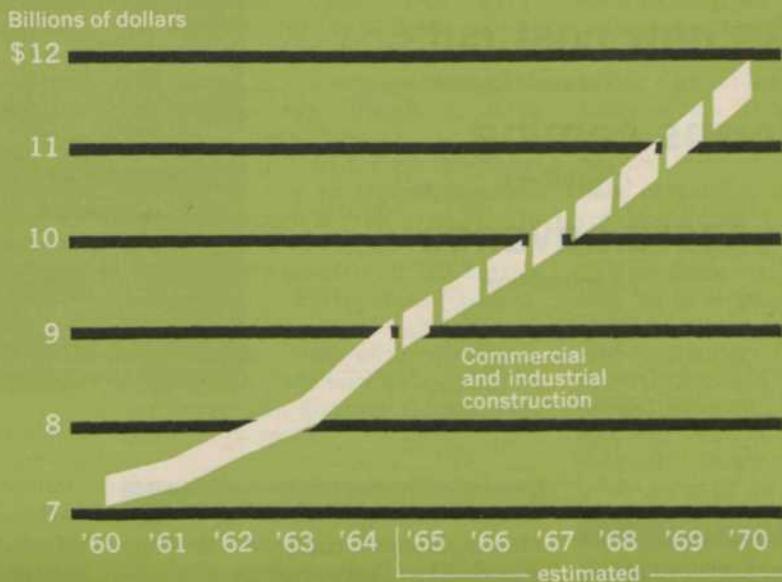
On the move—one of five

Migration also figures importantly in the requirements for new homes. Every year one out of five families shifts from one part of the country to another or from one part of the city to another, and not necessarily to areas with adequate housing.

In fact, the areas to which people are moving most heavily may be those which have a shortage of housing. So it's necessary to build there at high rates to keep up with the immigration.

The fact that there are vacant dwellings back home does not mean that there is no need for new ones

WHERE BUSINESS BUILDING IS HEADED



in the areas to which the people have moved.

The latest reports of the Bureau of the Census and Department of Agriculture indicate that migration from the farm, for instance, is continuing at a high volume. Vacant residential farm buildings must be matched by new nonfarm buildings.

The requirements for new housing add up to about 1.6 million a year. That's roughly what we're building in America this year. As the years pass through the remainder of this decade, the number needed will rise. If the U. S. economy grows at 4.5 per cent a year on the average for the rest of this decade—a reasonable assumption—we will need about 1.8 million new housing units per year, with possibly 600,000 apartments a year.

Somebody guesses wrong

You hear today about overbuilding of expensive apartments in some regions. But most of the growth in demand is for the relatively low-priced apartment houses—even where builders have pushed expensive housing.

There always will be areas with high vacancies. Somebody will always misjudge the market and

build the wrong types of homes and apartments in the wrong places at the wrong time and at the wrong prices.

But for the country as a whole, Census Bureau studies show that vacancy rates are not out of line. Housing is being absorbed as it is being built, with the exception of housing not suited to the market.

This probably foreshadows the future in an important way. It will be easier for builders to make mistakes. The too-costly, the not-in-style house or apartment will be most difficult to rent or sell. There will be pockets of high vacancies. This means a more dynamic market and it will teach builders what not to build.

The story for commercial construction is similar. We see large numbers of office buildings, retail stores and shopping centers go up, and we wonder how the economy can take it. Part of the reason is similar to that for housing. We see all the new construction going up, but we don't see physically the huge net addition to purchasing power that appears day by day and month by month.

And we know, but do not recognize the implications of the fact that the proportion of white-collar

workers to the total labor force is increasing, and that the standard of living of the white-collar employee in the office building is rising.

He expects better quarters at work just as he does at home. This means that the numbers of square feet of office space per white-collar employee is rising and the proportion of quarters with air conditioning, for instance, and with good lighting and with good elevators has been going up. A study on this point indicates that we are at about an average level of commercial construction. Office building has reached or passed its peak in some cities, but in some other cities the boom is yet to come.

Space needs appraisal

Store construction also will vary. The sharp shift toward discount stores is slowing down. The rise in income is bringing a rise in the proportion of expenditures for quality goods. So the space required per sale tends to rise. Radios can be sold off the shelf, and the turnover on this sort of inventory is high. But more and more of the expenditures go for larger, more elaborate and more expensive items.

(continued on page 88)

A LOOK AHEAD

Steel seeks new cost cuts

(Natural Resources)

New tax forms coming

(Taxation)

Head squeezers advance

(Agriculture)

Seven cities where dropout rate is lowest



Source: National Education Association

AGRICULTURE

Head squeezers, barbed fruit trees, bite-sized morsels of hay.

You'll likely hear more of these and many another new development in farm mechanization. This harvest season and those ahead will see introduction of more ingenious devices for cutting both cost and need for hard-to-get labor.

Biggest effort goes into vegetable, fruit harvesters, note experts at Agriculture Department's Beltsville, Md., research station.

A head-squeezing machine that tells if lettuce is ripe, then cuts it, is under development at University of California. Engineers there are also perfecting a cantaloupe picker.

Orchardists are trimming fruit trees just so in attempts to develop machines which can pick tree crops. Some growers already use mechanical tree shakers and plan to install conveyor belts down rows.

Some tomato harvesters have been built. Researchers work on pickers for such soft fruits as strawberries. A British firm makes a picker that blows fruit off taller berry bushes into hoppers.

Advances come in other crops, too. Wide use of machines which mow hay, other forage crops, chop and compress them into pellets is predicted. Farmers already begin using corn combines that cut kernels from cob in fields. Work moves ahead on better tobacco harvesters,

peanut machine that sorts and cleans. Newest tractors use four-wheel drive instead of two.

CONSTRUCTION

Lumbermen strike back against inroads made by other building materials.

They talk up certain safety characteristics of wood construction in attempt to win favorable changes in fire insurance rates, building codes. Laminators demonstrate strength of glued-together beams in some New York World's Fair buildings.

Plastic-covered wood siding joins pre-painted boards in counterattack against metal siding. A joint lumber-paint industry research project seeks basic answers to question of what chemical reactions occur when paint hits wood.

"Project Home" may be launched by National Lumber Manufacturers Association in attempt to convince apartment dwellers they should buy a house. Houses make up lumber's top market while most apartment projects use other materials.

CREDIT & FINANCE

More international studies of global money supplies are coming—far ranging studies, trying to anticipate free world needs for trade, investment funds 20 years ahead.

If U. S., major industrial countries would agree on any new inter-

national financial system, it could affect federal economic policy in future. The aim is to avert future balance-of-payments crises.

The studies will come out of this month's annual meeting of International Monetary Fund in Tokyo. Two newly unveiled international payments reports—one by IMF staff, another by an 11-nation group—are considered only short-range answers. U. S. troubles over gold loss, European worries about own immediate problems colored these reviews, say American policymakers. They figure that U. S. gold loss is on way to end.

FOREIGN TRADE

Uncle Sam prods European industrial nations to end today's galloping competition in government-financed export-promotion methods such as export-credits and credit guarantees.

These are favorite means among healthier nations for pushing sales to have-nots. Competition is intense. Americans, Europeans, Japanese complain about each other's aid to exporters. Commerce Department has launched top-level study of American export financing.

U. S. seeks hait in further softening of terms to nations that are almost "haves"—Mexico, Thailand, Nationalist China, for example. Officials of international aid agencies survey value of government export credits to such nations. They sus-

pect other types of aid may do more good. U. S. also chafes at lenient use of European programs to promote sales to Russia.

A committee of 21-nation Organization for Economic Cooperation and Development is studying whole matter. Decision-makers of member nations will discuss possible self-imposed curbs in November.

LABOR

Schools—to improve quality of new workers—will launch new anti-dropout efforts with aid from businessmen.

Vocational courses face shakeup in many cities. Pittsburgh, among others, resurveyed its curriculum, is adding more vocational classes.

Businessmen are advising educators in Dallas, Milwaukee, St. Petersburg, Kenosha, elsewhere on local industrial needs for skills in future as guide for training. Bedford, Ohio, a Cleveland suburb, will start an electronics program this fall to supply industry. Vocational teachers in such places as Staples, Minn., will be returning to classrooms after summer work in industry; kids can learn to run a bulldozer there.

This year will bring start of organized visits to local businesses in several cities by school guidance counselors, principals. They'll get a look-ahead from businessmen at skills needed by new employees.

Dropout prevention begins young. Portland, Ore., starts eight-week training programs for mothers from poorer neighborhoods to serve as kindergarten aides. They'll work with preschoolers, broadening awareness of words, numbers. Researchers find children who fall behind in first, third, sixth grades are most likely to become dropouts.

MARKETING

New attempts shape up to get Congress to prohibit transportation and use of stolen credit cards across state lines.

Many companies, nationwide credit card organizations see need for legislation. Federal courts say credit cards aren't the same as

securities so don't rate similar federal protection now. This leaves prosecution for fraudulent use of cards up to individual state laws. Issuers of cards contend fast-moving thieves are difficult to catch without federal law.

A Standard Oil Co. of Ohio survey pegs losses in interstate cases by card issuers at well over \$1 million a year and rising.

Opponents question if the Justice Department, FBI, other government agencies should take on task of tracking down card snatchers.

A House Judiciary subcommittee considers the matter. Action may come next year.

NATURAL RESOURCES

Steel industry's search for more efficient, cost-cutting methods zeroes in on the blast furnace. It turns ore into pig iron, which is then refined into steel.

Research Corp., formed by 22 major companies, is working with U. S. Bureau of Mines on basic studies at experimental blast furnace near Pittsburgh. Researchers toy with ways to run furnace with fewer men, to produce pig iron faster and to get more iron from single furnace. They work on using powdered coal instead of gas, possible coal and powdered iron injection methods.

Mines agency itself experiments with prereduced iron pellets. That's a method for separating oxygen from iron in the ore without a blast furnace. Researchers figure the process could provide richer feed for the furnaces. Or, better yet, yield a method for completely bypassing the furnace.

Scrap iron dealers watch attempts to improve widespread basic oxygen steel-making process so large amounts of scrap can be used. Use of present oxygen process largely eliminates usefulness of scrap in steelmaking, undercuts demand.

TAXATION

A simple tax return for everyone? The millennium hasn't arrived yet.

But Internal Revenue Service has

made another stab in what it considers the right direction.

Government presses will roll next month on face-lifted forms for figuring individuals' 1964 income taxes—Form 1040. Major changes stem from attempts to cater to taxpayers' convenience and federal data processing operators. New tax cut law brought relatively few reporting changes.

New forms will enable four million more taxpayers to file on one sheet of paper—if they write small, IRS estimates. There's space for reporting small amounts of dividends, interest, extra income previously required on a separate schedule. Space for reporting deductions will be telescoped, eliminating previously wasted space, officials report.

You won't have to jump around so much to add up your income and total your tax. And you'll sign on the front page again instead of the back, where many people overlooked the dotted line.

For business, though, fewer changes in forms now. That may come later as federal tax form editors work through the stack.

TRANSPORTATION

Commercial air travel reaches a safety milestone in mid-month.

Planes traveling above 24,000 feet—nearly all present jet passenger flights—will then be controlled directly by radar-manned traffic centers over the entire 48 continental states. Centers at Boston and Great Falls, Mont., are scheduled to fill the last gaps.

This system puts Federal Aviation Agency controllers in touch with every plane at these altitudes via radar, other communications. Pilots fly under instrument rules which are stricter than normal visual flight rules.

Controls should reduce chances of planes hitting each other, permit more efficient use of increasingly crowded air lanes.

Now FAA pushes for similar control over planes flying between 18,000 and 24,000 feet. It hits hornets' nest from private flyers who fret at cost of special equipment.

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YOUR CITY NEEDS

continued from page 33

be speeded through the use of oblique, rather than right angle turns into parking garages and curb indentations for loading and unloading.

Its developers hope that Main Place will serve as a catalyst for upgrading the whole neighborhood and that it will serve as the center of activities during a kind of double-shift into the night after normal working hours.

"We believe any large urban center has to have some heart where special things happen," explains Vincent Carrozza, vice president of the Dallas, Texas Corporation, which is developing Main Place. "It could be like the piazza of the European city. People will come into a city's center if there are exciting things happening at night. And such expensive real estate should be used more time to make it more worth while."

Mr. Overton believes Main Place "will serve as a model and an example of what can be accomplished to encourage the rehabilitation of this area. It's the first step toward making a reality out of the dream of revitalizing through private enterprise this part of the Dallas core in line with unique, comprehensive, new approaches that involve the wedding of advanced architectural concepts, city planning and economics."

Nine years of work

The dream was envisioned first by Mr. Overton's father, W. W. Overton, Jr., one-time chairman of the Mayor's Blight Committee and past president of the Dallas Chamber of Commerce. He is president and chairman of the board of the Texas Bank and Trust Co.

According to W. T. Overton, "Dad envisioned the scope of the project years ago." So the Overton and Clint Murchison, Sr., interests began to acquire property in 1955. Buying the 10 acres required the signature of more than 300 owners of 74 parcels of land and took nine years.

"We had a lot of discouraging moments and hard work," says Mr. Overton, "and those last 10 or 15 parcels really cost us." A former mayor even helped in getting the buyers and sellers together.

Mr. Overton believes there are distinct advantages of private development over federal urban renewal, which so many cities have turned to. "A man in his own com-

munity knows best what is needed," he told *NATION'S BUSINESS*. "A private developer, risking his own money, is not bound by rigid rules or by what has been done in the past. Development by committee under federal rules cannot bring the nerve and imagination of a private investor to a project. It takes a deep understanding and wedding of ideas between the owner and architect."

3. McCollough properties in Houston. Probably the biggest private slum clearance project in America is the 32-acre site acquired by O. J. McCollough, president of McCollough Tool Co., and Albert Kuehnert, a local real estate operator. According to Mr. McCollough a huge complex of downtown office structures, high-rise apartments, stores and other facilities costing approximately \$300 million will be built.

There will be at least 17 buildings of from 25 to 50 stories, landscaped plazas, shopping malls and probably theaters, hotels, banks, shopping facilities and a convention hall.

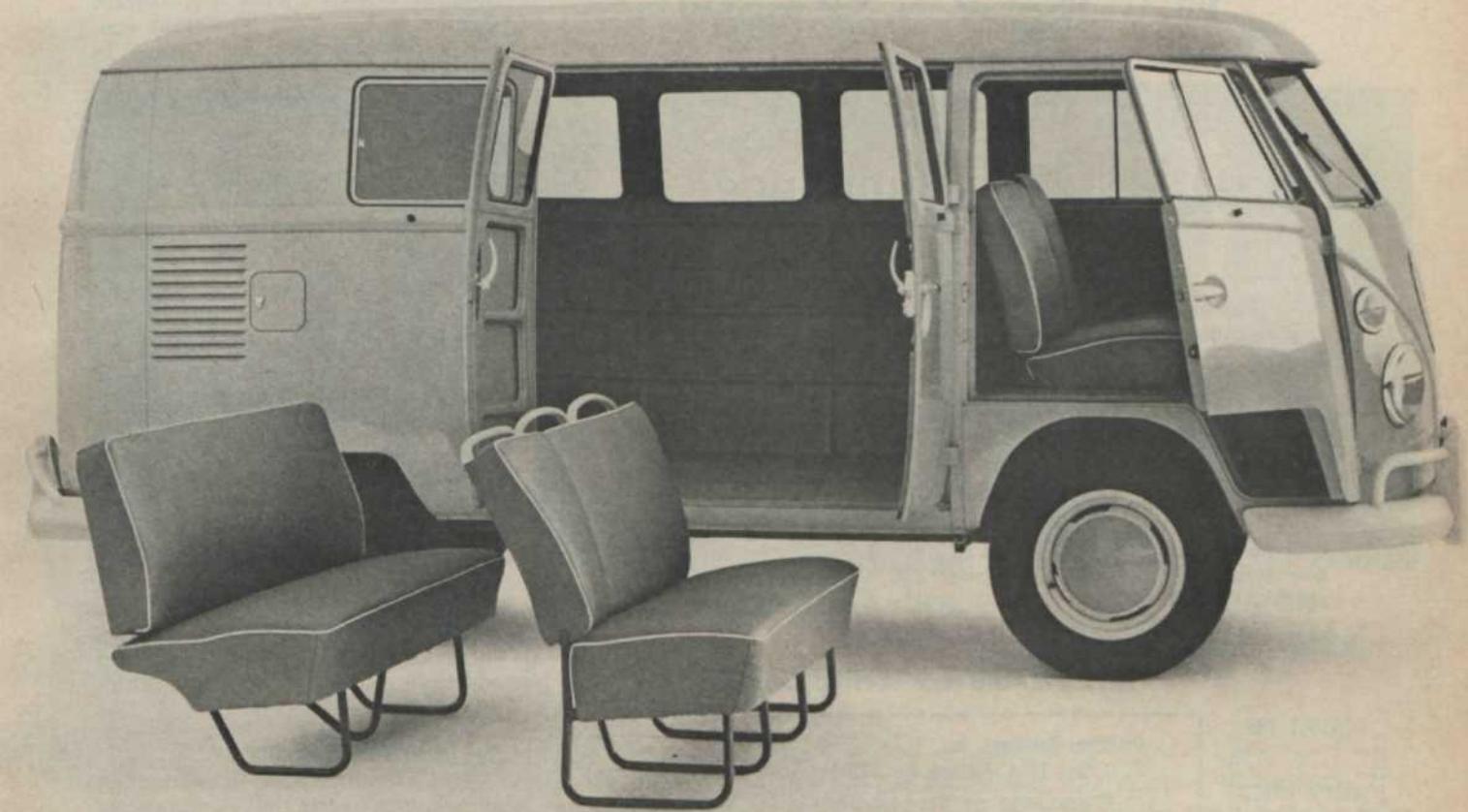
The latest announcement on the project says that about 70 per cent of the 20-block section has been acquired.

4. Trinity Industrial District in Dallas. This 1,300-acre section on what was once the flood plain of the Trinity River is just a few minutes from the center of downtown Dallas. In the District is the multi-million dollar Dallas Market Center, consisting of five massive and imaginatively designed buildings. The land is owned by Industrial Properties Corp. and Trammell Crow, a well known developer. Such an industrial district was the dream of Leslie Stemmmons who was first instrumental in getting levies built to constrain the Trinity River. Fifty years ago the river would flood half of Dallas when it overflowed.

The sons of Leslie Stemmmons now head Industrial Properties Corp., which has leased the reclaimed land to about 1,200 firms.

John Stemmmons, tall and lanky president of Industrial Properties Corp., epitomizes the mature second generation of Dallas pioneers who dedicate their energies to the advancement of their village, as they fondly call it.

When the gigantic industrial district was just beginning to be developed in 1956, the Stemmmons brothers donated 102 acres for the right-of-way for one of the earliest



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YOUR CITY NEEDS

continued

stretches of the nation's interstate highway system. It is known as Stemmons Freeway.

Mr. Stemmons explained why Dallas has relied on private and local resources in urban development:

"When the government is left to accomplish something, everybody's business becomes nobody's business. If a man has to accomplish something with his own money, he has a budget and he has the profit motive. With his own budget he has to be a great deal more disciplined financially than with a public fund, and he has to be more ingenious."

Many Dallasites believe the Stemmons Freeway and Trinity Industrial District, with the Market Center, is the most important economic development for Dallas in the past decade. The five spacious trade marts and exhibit halls of the Market Center—the fifth, the Apparel Mart, is to be finished this fall—are helping to make Dallas the market and showplace of the southwest.

5. *Houston Civic Center.* Covering 150 acres in downtown Houston, the city's ambitious Civic Center calls for buildings costing about \$32 million over the next eight years. The pace-setter will be the Jesse H. Jones Hall for the Performing Arts, a \$6.5 million structure being donated to the city in memory of one of its illustrious sons by the Houston Endowment, Inc., founded by the late Mr. Jones, publisher of the *Houston Chronicle*.

Civic Center bond funds will buy plazas, malls, underground parking garages, fountain, exhibit hall and additions to present public buildings.

Revitalizing downtown

The Civic Center has been an added spur to the redevelopment of the aging original section of the city and its surrounding central business district.

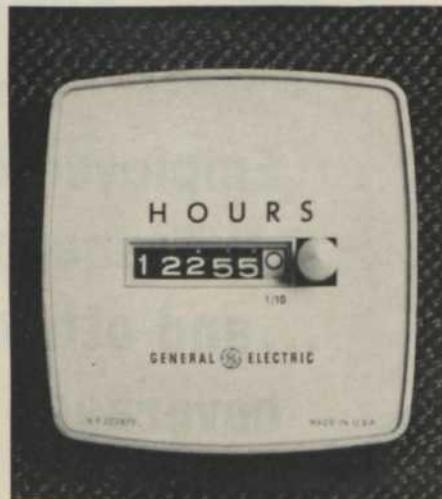
The Houston Chamber of Commerce for the past two years has been a catalyst for the revitalization of this historic part of the central business district at the headwaters of old Buffalo Bayou. It has led to at least a \$13 million investment in improvements and new construction.

James Pappas is among the many merchants in the old section who has renewed profitably. He
(continued on page 50)



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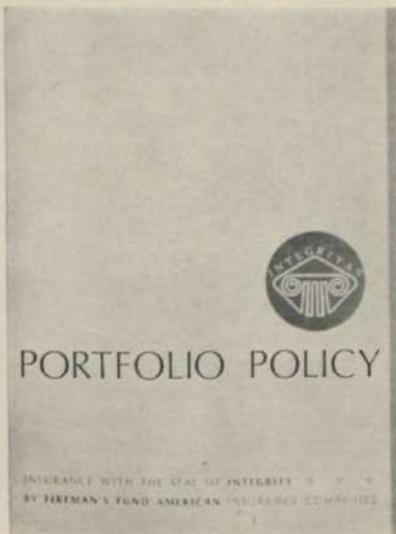
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YOUR CITY NEEDS

continued

converted his aging brick building with a new shell of porcelain on steel and now has the Pappas Building 75 per cent rented. "If we think big enough we can become the top city in the U. S.," Mr. Pappas believes.

Everett Mattson, executive vice president of T. J. Bettes Co., mortgage and finance organization, also has considerable faith in the original downtown. His organization financed the \$3.7 million Continental Houston Motor Hotel and remodeled the old First National Bank building, which helped set the pace for rebuilding downtown. "We remodeled the building and occupancy went from 20 per cent in 1956 to 90 per cent now," he says.

Houston's Mayor Welch told NATION'S BUSINESS, "We're beginning to see a return on land values downtown." The freeway now being built to circle the central business district "is increasing land values as is the disposal of slums by property developers."

He adds, "Two tools generally overlooked for the eradication of slums are being used in Houston: police power over health standards and fire prevention and increased taxes.

"If you put a high enough tax on slums they become too costly for their owners to keep that way. We're raising taxes and the screams are going up. But we're appraising the land at its highest and best use. So we'll make slums unprofitable."

The pace of building has benefited the city in higher tax revenues during the past decade. The tax on real property has grown from \$17 million in 1954 to nearly \$38 million last year.

The closest Houston ever got to a federal urban renewal program to deal with its slums was in 1959 when the city council voted to apply for federal money for a survey of the city to see if an urban renewal program was necessary.

"A crew of promoters from the U. S. Housing and Home Finance Agency swept in from their Fort Worth headquarters to bring the forms in person and promote the idea here," recalls one city official. "But there was such an outburst of opposition from the citizens, we threw the forms away."

The willingness of Houston citizens to do for themselves is seen in their record of approving bond issues for local improvements. Last

June the latest bond issue—\$87 million for sewers, streets, bridges and civic center development—was approved overwhelmingly.

"I can't remember a bond issue in recent times that has failed to pass," says Charles Lansden, manager of the Chamber's Civic Affairs Department. "We have a broad base of able, civic-minded business people who help sell the idea to the public."

Another indication of the independent philosophy which runs deep among Houston citizenry is the fact that Houston does not even accept federal aid under the national school lunch subsidy program. Instead the city raises the money for school lunches for the needy—\$85,000 last year—through its local United Fund charity drive.

Challenge for private enterprise

The city of Dallas, too, forthrightly rejected federal aid in an election two years ago. In November, 1962, the city turned down a plan for a federally subsidized public housing project in one of its blighted areas. Private enterprise could solve the problem, said its leading citizens. This acceptance of the challenge by local citizens, mainly business leaders, has led to one of today's most extensive studies of a city and its socioeconomic characteristics.

The story of rehabilitation in Dallas begins a decade ago. In the early 1950's Dallas citizens began to show considerable concern about their deteriorating sections. It coincided with rising interest nationally in the slums of other large cities.

The problem in Dallas was not nearly as great as in many eastern urban centers. Today, for example, only one per cent of the land area of Dallas could be called blighted.

Moreover, many of the persons living in the worst sections were Mexican farm laborers. Some were not accustomed to indoor plumbing and, in fact, considered a roof overhead and a bed at night relatively plush living.

However, the potential human and economic problems of the blighted sections were looked on by the city as needing distinct improvement. One of the worst areas was West Dallas. This was not even part of the city of Dallas until recently. But Dallas annexed it with its dilapidated tin-roofed shacks erected without benefit of building codes or other city ordinances.

In 1954 the City Council appointed a citizens housing rehabilitation



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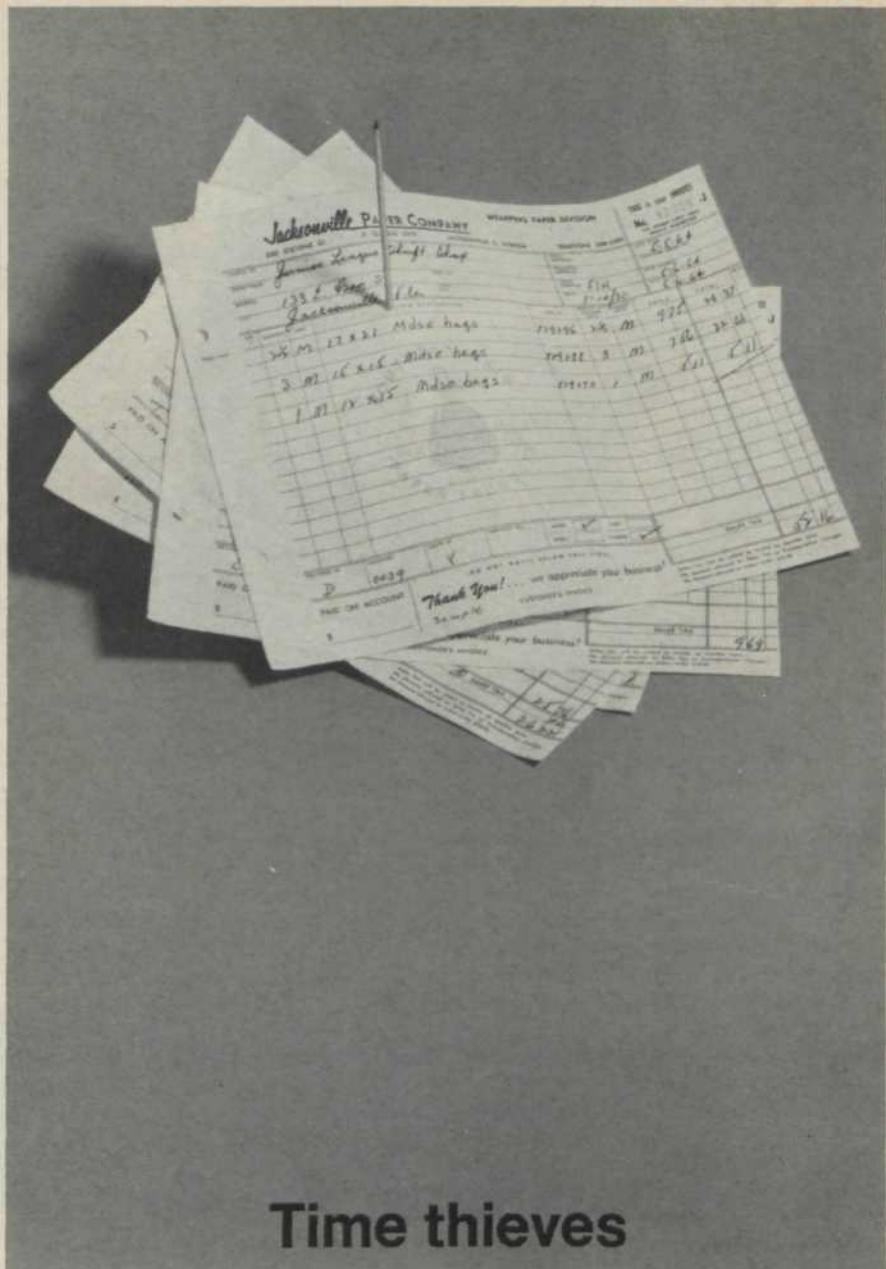
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DALLAS SAN ANTONIO	10	7 hrs. 15 min.	1.90	2.15	2.45

*Other low rates up to 100 lbs.

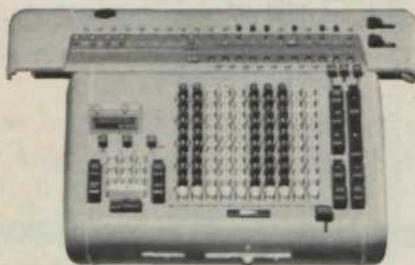


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YOUR CITY NEEDS

continued

advisory committee to review residential blight and pick an area for a pilot rehabilitation project. A 60 acre plot was chosen—called Little Mexico. Special housing was built with city funds. Much of the property was cleaned up through code enforcement and new commercial use. By 1958 another area recently annexed by the city was made the second renewal project. This was called Dewberry. The city asked the federal government to approve Dewberry for loans insured by the Federal Housing Authority. But the project did not qualify because of technicalities involved in federal standards. Washington did not want Dallas to do it the way the city considered best. So the city went ahead on its own.

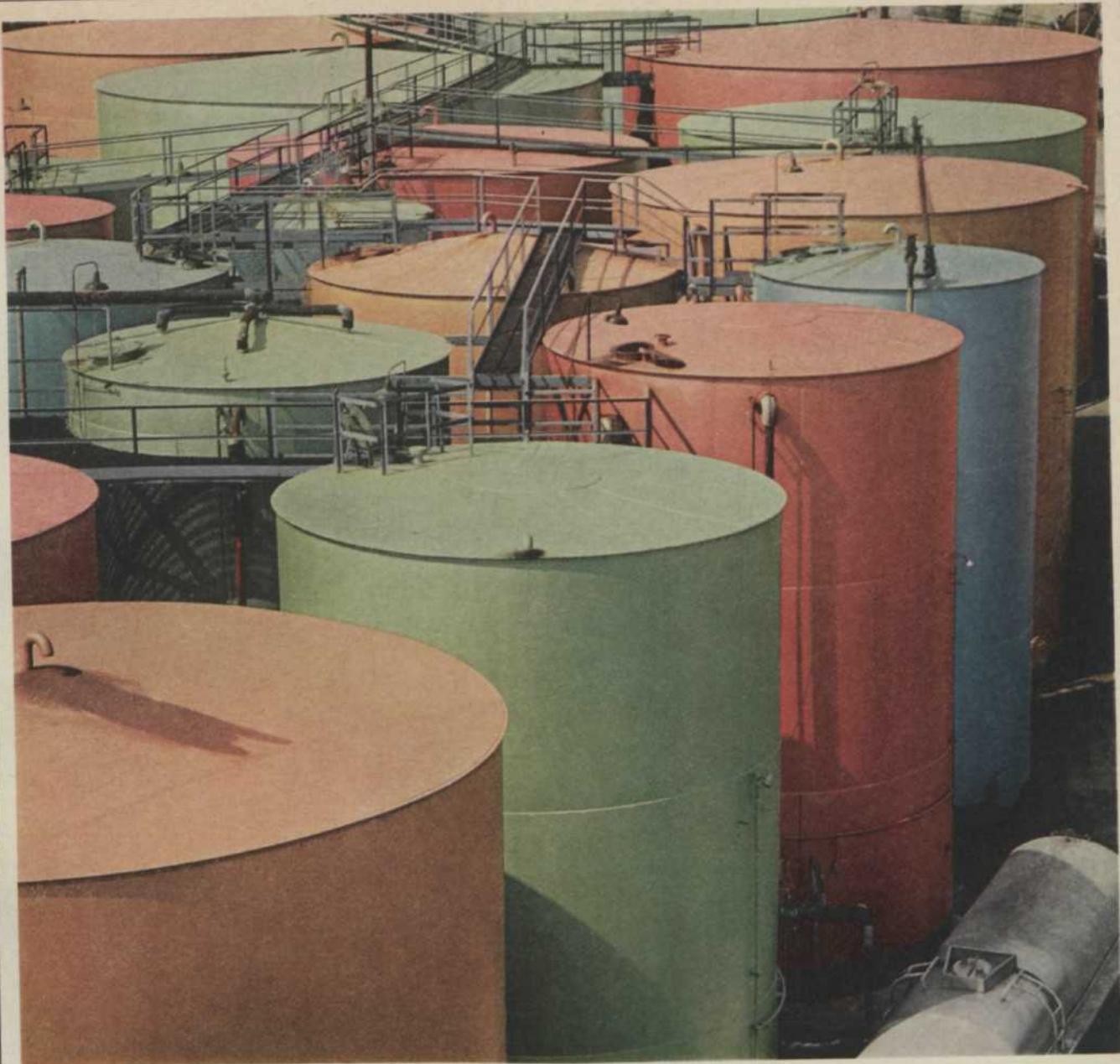
In 1959 the city council created the Dallas West Revitalization Commission for West Dallas, another citizen group. In 1961 the voters approved a capital improvements bond program which had funds for water and sewer extensions.

The council in 1962 passed an ordinance revising the city's rehabilitation effort and setting up a citizens committee called the Dallas Action Committee for Community Improvements. Among the important new duties of this unit is slum prevention. This Committee is headed by Lone Star Gas President Lester Potter.

The Dallas Action Committee has submitted two reports and is in the process of making three more to the City Council, according to Mr. Potter. A thorough analysis has been made of the city with help from the computers of Southern Methodist University as to physical, economic, educational and social factors. One significant conclusion of the study is that West Dallas, which people generally consider as the poorest section, is now on the upgrade and that an area in the south of the city is worse off.

"Our committee can't wave a wand and suddenly revitalize," Mr. Potter told NATION'S BUSINESS. "It is fundamentally a problem of people, not structures. It can't be a crash program. We have had to do a comprehensive study of the nature of the problem, and it will be a continuing study."

"I'm convinced that the only way to solve it is with local effort and (continued on page 57)



Fresh idea for a tank farm: Dixon Aluminum Coating in 4 colors

When it came time to repaint tanks this year, Drew Chemical Co., Boonton, N.J., simply asked for colors — plus all the durability and corrosion resistance of the original aluminum paint. The answer was Dixon Aluminum Coating in soft shades of blue, green, russet and gold — a product of Joseph Dixon Crucible Co., Jersey City, N.J.

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YOUR CITY NEEDS

continued

local resources. I'm not against the federal government. But it's hogwash to say we have to let the federal government do it and that we can't solve it locally.

"The problems are extremely complex. It involves how we can persuade people to raise their level of living.

"We have to determine right here what our standards are and what our needs are. The U. S. Department of Health, Education and Welfare can't do it from Washington any more than they can match a local colored boy with a job opening here in town."

The hard-cash evidence that Dallas has been attacking its problem of blight is in the \$36 million spent from 1957 to 1963 for health, welfare and capital improvements just in West Dallas. Other evidence of success is in the uplifting of Little Mexico, the rise in school attendance in West Dallas, the plans for a new luxury apartment house in the area and the increase in home ownership and home improvement in the past few years.

The civic progress in Dallas has been in the main a result of responsible business and receptive local government. Since World War II, the city has grown in size from 50 to 290 square miles, its population from under 500,000 to over 750,000.

Like Houston, it has maintained a strong and expanding central business district in addition to growing in peripheral areas. The assessed value of property for tax purposes has risen by \$40 million from 1957 to 1963, just in the central business district.

Easy-going Dallas City Manager Elgin Crull notes: "South of the Red River (the northern border of Texas) nothing is the same as it was last year. But we've always been strong for master planning here. Without it I don't know where we'd be. We've had an almost unbelievable increase in building."

Even with city planning, Dallas habitually bursts through the seams of future projections. A master plan was adopted in 1945 projecting requirements to 1970. By 1950 the city had already outgrown the '70 forecast.

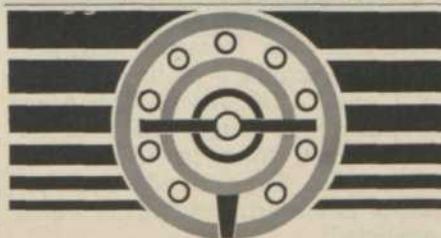
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YOUR CITY NEEDS

continued

by a Chicago organization, to get outside objectivity.

The multimillion rebuilding in Dallas in the past decade has brought considerably more revenue into the city treasury. The property taxes collected in 1954 totaled \$22.6 million.

In 1963, they had grown to \$39.7 million. There was only one tax rate rise which was a 4.4 per cent hike in 1959.

Not everyone in Dallas thinks the horizons are unlimited or that even some of the dramatic building projects now being planned will come to fruition. As one city official says, "The common complaint in 1959 and 1960 was that we had office space coming out of our ears. But we seemed to fill what we built."

Early "rich lands"

Like Dallas planners, Houston's forecasters see continued lively expansion. "We're limited only on the south by the Gulf of Mexico" (40 miles away), says Ronald Heiser, assistant city planner for Houston.

Houston got its original propulsion from the foresight and promotional activities of its founders, A. C. and J. K. Allen. The Allen brothers first bought the land for the original town in 1836. That same year they placed advertisements in eastern newspapers which predicted:

"When the rich lands of this country shall be settled, a trade will flow to it, making it beyond all doubt the great interior commercial emporium of Texas."

Though there were mosquitoes as big as grasshoppers, according to early reports, and the town was little more than "a dugout canoe, a bottle of whiskey and a surveyor's chain and compass," a future town existed in the minds of the Allen brothers.

In fact, Augustus Allen had a crude plan sketched out on his stovepipe hat in those early days. With some euphemism, the brothers described the swampy outpost as "well watered," and managed to get Houston picked as the site for the temporary capital of the Republic of Texas.

Houston is fortunate not only for the imagination and persistence of its early settlers but for its invaluable natural resources. Oil, gas, sulphur and water abound, and a

man-made channel to the Gulf makes it a thriving port.

The recent location of the National Aeronautics and Space Administration's Manned Spacecraft Center southeast of the city has brought an upsurge of related scientific and engineering manufacturing and sales operations as well as a futuristic air to the locale.

Chamber of Commerce Executive Vice President Marvin Hurley describes the NASA space headquarters as merely "another notch" in Houston's development record.

Early fortunes of the area were made in cotton and cattle, then oil. The first of the big gushers in the Spindletop field at nearby Beaumont, Texas, blew in in 1901. Since World War II Houston has grown as a result of the consolidation of oil and petrochemical headquarters in the city, then more oil tool industry, now research and development.

Houston, now with a population of over one million, is the nation's first in manufacturing and distribution of oil field equipment, first in refining, first in pipeline transmission and third in the number of private aircraft.

One of Houston's notable residents, oil and land millionaire R. E. Smith has the kind of enlightened self-interest attitude that has helped



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Real estate developer R. E. Smith surveys Houston's fabulous air-conditioned \$25 million domed stadium now nearing completion



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YOUR CITY NEEDS

continued

make the city grow the right way.

"I have an understanding with the buyer when I sell a piece of property," he told **NATION'S BUSINESS**. "I don't want any cheap construction. I want sound office and apartment buildings. I have to know about the plans and purposes. It's better for the area and the community. You can make ice boxes and overcoats, but you don't make land."

"I don't do things by halves," snaps Mr. Smith. "They'll be done right or they won't be done." And since he owns a reported 2,250 acres in the city limits of Houston, Mr. Smith has something to say about future buildings.

Why Dallas grows

Dallas has no rich natural resources and—unlike Houston with its straight, wide streets—Dallas was poorly laid out. The disjointed street pattern resulted from the conflicts and compromises on land ownership and development in the early years. Since 1875, the city has made more than 600 separate annexations.

"We have no resources and no real reason for being here," says Robert Cullum, the shrewd and witty board chairman of Tom Thumb Stores.

He's currently president of the Dallas Chamber of Commerce and a native of the city.

But Dallas has grown in spite of its lack of natural wealth. "You can't grow just by waiting for babies to be born and diapers to be washed," Mr. Cullum remarks. "There are people in Dallas who like to build things. I'm no tub thumper, but there is a sort of electricity among the people. In Dallas, it's what you do for your city that determines how highly regarded you are, not how much you make."

Dallas is looking for growth and progress to come from a new institution, the Graduate Research Center of the Southwest, an educational experiment being built on a 1,400 acre campus. It already has more than 150 permanent scientists on the payroll.

Some in the city also believe a long-time hope is near realization—the canalization of the Trinity River from the Gulf up to Dallas and Fort Worth. This would require massive federal aid for construction, which seems in conflict with the basic

spirit of independence that radiates from Dallas.

An explanation is offered by C. A. Tatum, Jr., husky president of Dallas Power and Light Co. Mr. Tatum told **NATION'S BUSINESS**, "Construction in Dallas is economical, sound and feasible with private local money. But the canal would affect the whole southwest area. It is looked on as one would the interstate highway system, which is used by all the people, in contrast to a local development."

Masters of their environment

Dallas and Houston, though relatively new and booming, are not basically different from other big cities in America. Some proponents of federal urban aid have claimed that the older cities of the nation are more blighted and cannot solve the slum problems.

But blight can occur in a matter of a generation. And the affluence in Houston and Dallas is no greater than many of the fortunes of New York and New England families, for instance.

Houston and Dallas are not the only cities that have built private and local projects of note. Indianapolis and Rochester, for example, have created valuable projects with private money and have thereby enriched the cities. The privately held land was not removed from the tax rolls as it is under a federal urban renewal project. But Houston and Dallas are the biggest cities which have had no federal urban renewal and the prospects are they will not need or want it in the future.

It does seem to take initiative and imagination. Like the early bankers of Dallas who saw a good risk in cotton in the warehouses and oil in the ground, both Dallas and Houston have a tradition of encouraging vision and independence.

Sometimes it takes an outsider to see it. Roscoe Jones, the new city planner for Houston, who only recently came to the city, sums up characteristics common to both Houston and Dallas: "There's a positive attitude. There is foresight and drive among the people and still enough of the frontier spirit that says: 'I will be the master of my environment.' There's a willingness to work in cooperation with others in the community to plan for the future and a rejection of government regulation because people here seem to want to preserve their freedom of choice wherever they can."

END

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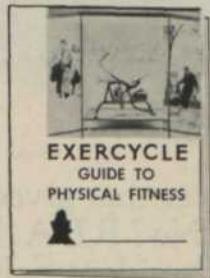
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POLITICAL BELIEFS

continued from page 35

- d. So important that the federal government should control it.
17. Government spending should:
 - a. Benefit the leaders of business, thereby helping everyone.
 - b. Create the most favorable climate possible for the private sector of the economy.
 - c. Always serve the best interests of the general public, rather than the few.
 - d. Support the underprivileged, working classes primarily.
18. Resources such as electricity, when developed with public funds, should be:
 - a. Sold to the highest bidder to protect free enterprise.
 - b. Transferred to private ownership except for locally operated public utilities.
 - c. Operated in the public interest, whether by private or governmental agencies.
 - d. Owned and operated by the federal government, which is the only agency really representing the public interest.
19. Conservation of natural resources is the responsibility of:
 - a. Private enterprise.
 - b. State and local governments.
 - c. Government at all levels but coordinated by the federal government in the public interest.
 - d. The federal government alone, with complete regulatory powers.
20. Federal grants-in-aid should be:
 - a. Avoided at all costs.
 - b. Limited to public works of value to interstate trade, such as highways.
 - c. Used to support programs of value to the whole population, such as school lunches.
 - d. Used to persuade state and local governments to implement progressive federal programs.
21. I identify myself with the interests and philosophies of:
 - a. Successful businessmen.
 - b. The middle-classes.
 - c. The lower, less fortunate classes.
 - d. Progressive planners.
22. The best place to find political leadership is among:
 - a. Business and community leaders.
 - b. Leaders of big corporations and industries.
 - c. Rank and file people who have lived at the bottom and know the peoples' problems.
 - d. Those educated and trained for public service.
23. The United States of America should:
 - a. Stand on its own—free from all foreign entanglements.
 - b. Promote international commerce to advance prosperity.
 - c. Take responsibility for helping the less fortunate nations advance to our level.
 - d. Lead the way in developing world prosperity and an international order guaranteeing the rights and freedom of every individual.
24. I generally consider myself a:
 - a. Conservative.
 - b. Moderate conservative.
 - c. Moderate liberal.
 - d. Liberal.

POLITICAL SCORE SHEET

Here's how to compute your score in the quiz on page 35.

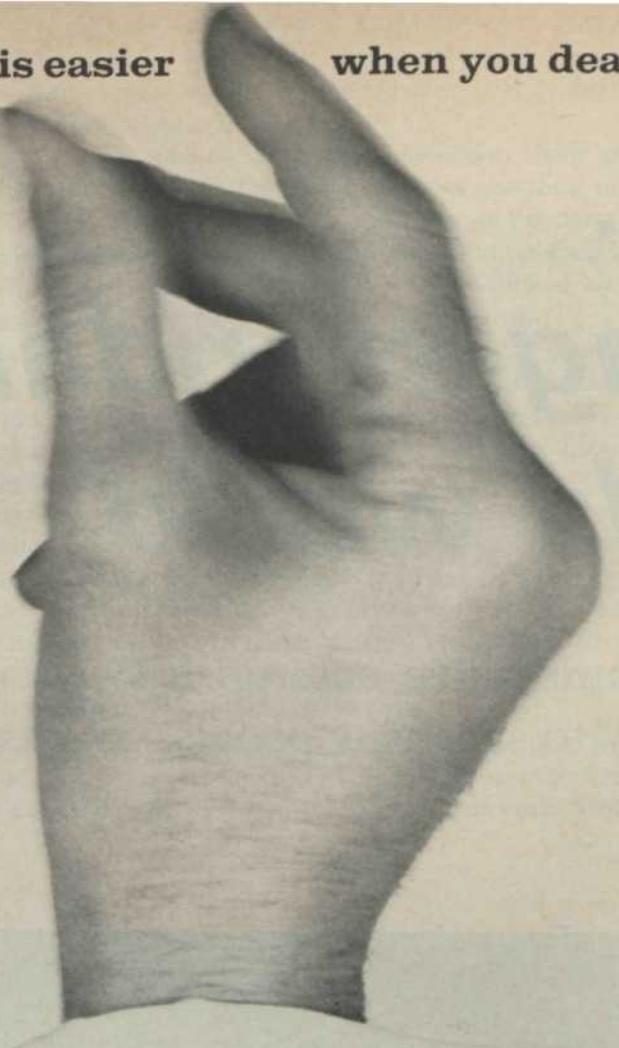
Give yourself +3 points for each "a" answer, +2 points for each "b" answer, -2 points for each "c" answer, and -3 points for each "d" answer.

If your political inventory is +65 or more, you are definitely in the conservative category. A -65 or more would indicate strong liberal leanings. Scores falling between a +10 and a -10 indicate moderate attitudes in politics.

REPRINTS of "Test Your Political Beliefs" may be obtained for 25 cents a copy, \$12 per 100, or \$90 per 1,000 postpaid from *Nation's Business*, 1615 H St., N.W., Washington, D.C. 20006. Please enclose remittance.

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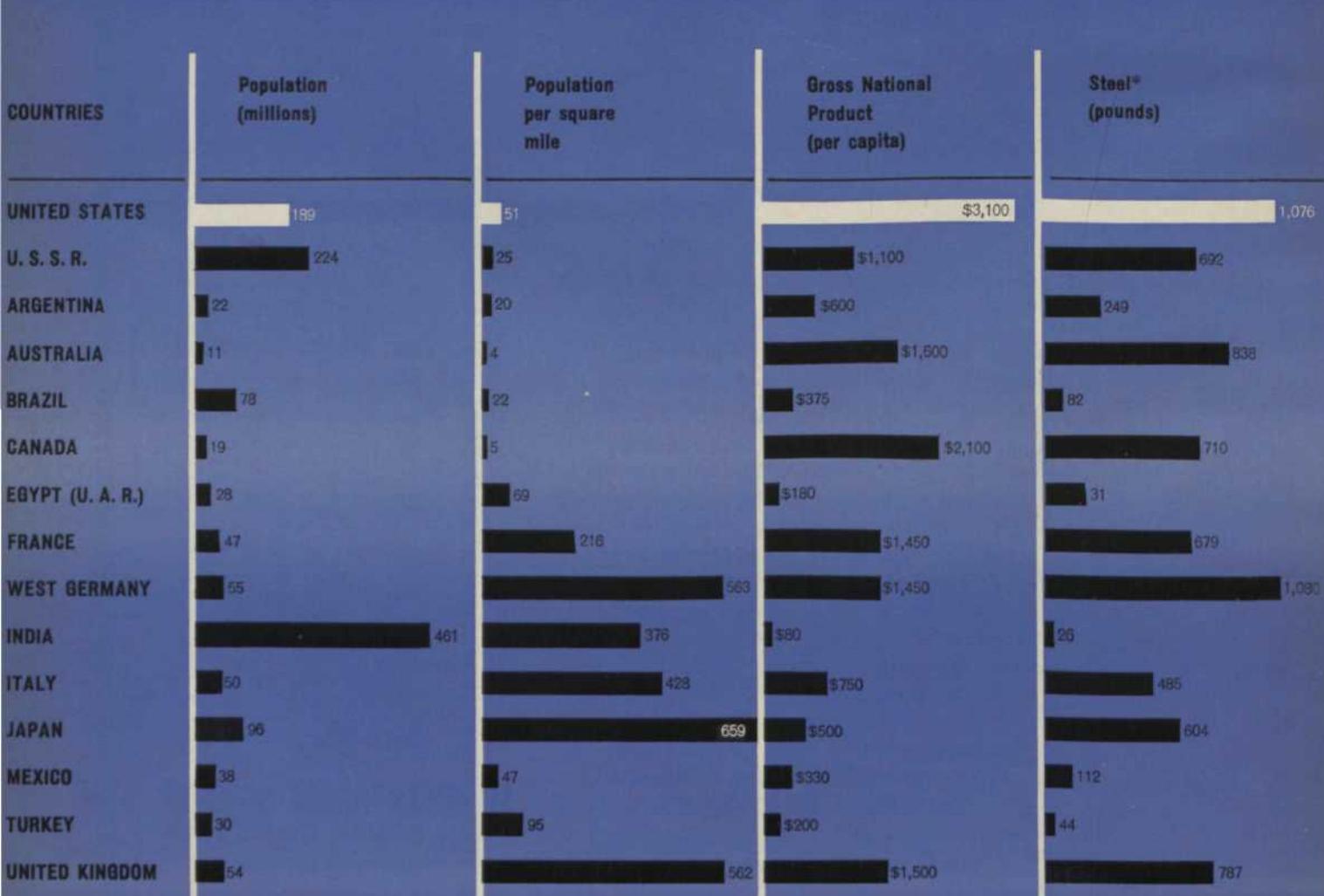


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The factors that make this possible are being studied by economists, businessmen and government officials the world over.

Accompanying charts compare economic and social characteristics for countries at various levels of economic development. For example:

The value of a country's total production of goods and services—its gross national product—ranges from \$3,100 per person in the United States down to \$80 in India.

There is one passenger automobile for every three persons in the United States. The Soviet Union has one automobile for every 336 persons. In India, where living standards have far to go to catch up with the industrialized countries, the ratio is one car for every 1,584 persons. Sixty per cent of the world's passenger cars are in the U. S.

Differences in economic well-being around the world are due to many factors. The major ones include:

Capital investment. A record \$44 billion will be spent by U. S. businessmen on new plant and equipment this year, up from \$39 billion last year and \$37 billion in 1962. During the past 10 years \$337 billion has



U. S. LIVING STANDARD LEADS WORLD *continued*



COUNTRIES	Food Supply* (calories per day)	Infant Mortality Rate (per 1,000 births)	Housing (persons per room)	Dwellings with piped water
UNITED STATES	3,120	25	0.7	94%
U. S. S. R.	NA	32	1.5	NA
ARGENTINA	2,950	61	2.2	47%
AUSTRALIA	3,160	20	0.7	NA
BRAZIL	2,680	170	NA	18%
CANADA	3,100	27	0.7	87%
EGYPT (U. A. R.)	2,530	110	1.6	20%
FRANCE	2,990	26	1.0	82%
WEST GERMANY	2,950	29	1.0	97%
INDIA	1,990	67	NA	NA
ITALY	2,740	41	1.3	45%
JAPAN	2,240	29	1.4	NA
MEXICO	2,440	70	NA	43%
TURKEY	2,830	165	NA	57%
UNITED KINGDOM	3,270	22	0.8	95%

*Consumption per capita. NA—Data not available.

gone into capital investment, about \$7,000 for each wage and salary worker employed by business firms.

Quality of plant and equipment. High quality here is a result of high capital investment and is a vital contributor to the steady rise of output per hour worked in this country. Goods and services which took 100 hours to produce last year required 103 hours in 1962, 117 hours in 1958, 132 hours in 1953 and 159 hours in 1948.

Management ability. Professional management in the United States has reached a higher level of development than in any other country. The educational level of managers has been rising as positions, particularly in large corporations, have become open on the basis of competence rather than family influence. Training programs in universities, management associations and within corporations are very effective.

Employee skills. The average amount of education received by people in this country has risen sharply. More than half of the workers in their 20's and early 30's have had formal job training as compared with one third of the workers in the 55 to 64 age group.

Incentives to produce. U. S. gains in productivity are shared by business shareholders, managers and employees. A factory worker in this country receives an hourly wage about three times greater than workers in the United Kingdom and West Germany, five times more than those in France and six times greater than that of Italian workers. END



WORLD TRADE

continued from page 39



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minuses, industrial countries as a whole should raise their output by about four per cent a year up to 1970. This would mean a growth in trade of more than four per cent. Then there is the effect of tariff reduction. The most striking dismantling of trade barriers is going on in the EFTA and Common Market groupings, but this will not benefit the U. S. exporter—rather the reverse. The main U. S. hope lies in general reduction of Western tariffs through the coming international negotiations. Failing a successful outcome of these, U. S. firms will be obliged to set up more subsidiary plants in Europe.

Talk outlook not bright

Chances of a successful outcome to these world trade talks are slim. Ingrained protectionism among producers in most developed countries, and the political weight that they are bound to carry, make it risky to expect anything but slow progress on general tariff reduction. Negotiators are still in theory aiming at a 50 per cent general cut. A 30 per cent cut would have to be rated a success; a smaller one still is more likely. All the same, even a 25 per cent cut would give an extra shot in the arm to trade between Western countries. Add this stimulus to the expected internal growth rates in the industrialized world and you get the estimate of about six per cent a year for the growth of the market in industrial countries.

But the biggest spurt forward, the biggest change from the conditions of the early 1960's that exporters should be ready for will be found, not in the industrialized countries, but in the underdeveloped areas. These countries have been straining to import more for years, but their ability to do so depends primarily on their own export earnings; and their earnings record over the past 10 years has been miserable.

From 1956 to 1963 the export prices of primary goods fell on average by as much as 12 per cent. The fall in prices outweighed the small increase in world demand for primary products and forced one underdeveloped country after another to clamp restrictions on imports.

Colombia, Rhodesia and a host of other countries actually imported a smaller volume of goods

last year than they did in the mid-1950's. In Colombia's case imports slumped by 31 per cent. Not long ago Chile was getting about \$11 million a year in foreign aid. Yet in one year alone a fall in the price of copper knocked \$70 million off Chile's export earnings.

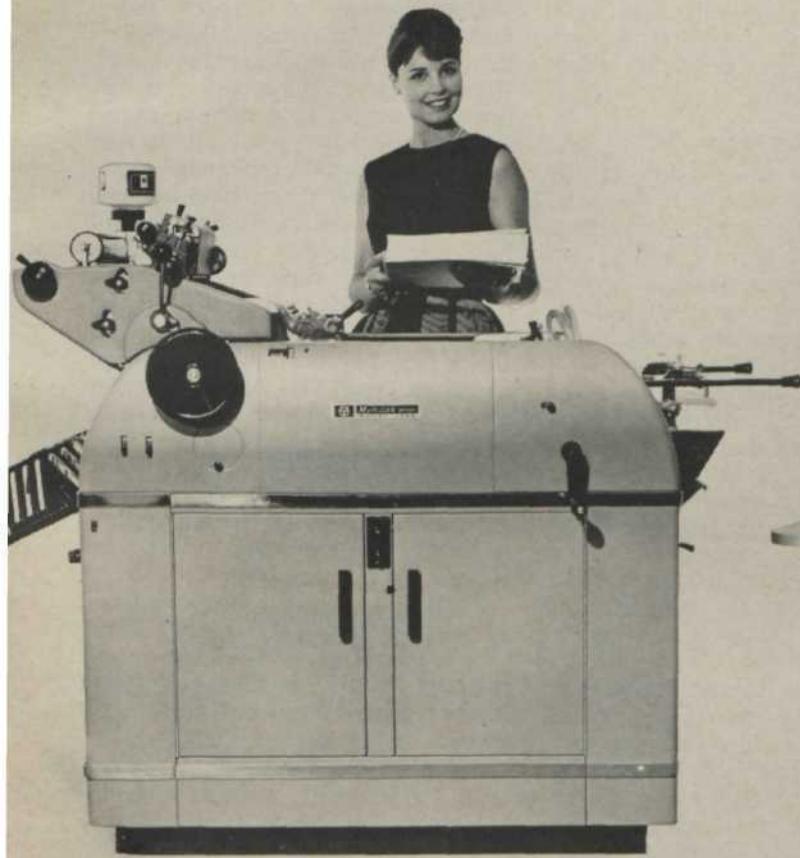
Better things can reasonably be expected now, both for the developing countries and their suppliers. Since 1962 it has become clear that commodity prices are swinging upwards after falling for a decade. Sustained growth of four per cent expected of the industrial countries would strengthen this rise. In addition, it is a fair bet that some kind of arrangement to stabilize commodity prices will be worked out within the next two years.

The chances are that world commodity prices in the second half of the 1960's will be riding between 10 and 20 per cent higher than at present. The front-runners in this upswing will almost certainly include copper, aluminum and tin. This will mean notable expansion of the ability to buy in Canada, Chile and Bolivia in the Western Hemisphere and also in Rhodesia and Malaysia.

But an advance of this kind will not work miracles. The developing countries together account for a quarter of global trade, nearly \$40 billion last year. Even if they get their 10 to 20 per cent increase in commodity prices by 1970, how much more could they import? Perhaps between \$5 billion and \$10 billion a year.

Foreign aid will continue to add to their buying power. Assistance given nowadays is limited more and more by the inability of the recipients to service loans rather than by the willingness of donors to offer money. We are arriving at the paradoxical state where the poor countries cannot afford to accept aid, unless it is of the soft, International Development Association type. Over the next six years an increasing proportion of aid may consist of this kind of assistance and of outright grants.

It is too much to expect within the next five years that the objective of the recent United Nations Trade and Development conference—each industrialized country devoting one per cent of its national income to aid—will be reached. But aid of all kinds will surely increase. Its value to the donor nations is too often ignored or underestimated, especially the value of multilateral aid. Up to June 1963 U. S. exporters received



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WORLD TRADE

continued

orders from the developing countries worth \$1.8 billion, paid for out of World Bank loans. It is not only the borrowers who benefit.

Aid and earnings together will enable the developing countries to push up the rate at which they can increase their imports. Recent growth of three per cent a year could well become 4.5 per cent in the later years of this decade. Translated into firm orders, this would amount to a significant increase in demand for the goods the underdeveloped world needs most: equipment to build up basic industries and plant machinery that is wanted throughout Africa; hydroelectric equipment and road-making plant is especially needed (visit Venezuela and Peru, for instance). Malaysia will undoubtedly spend a sizable proportion of its increasing tin earnings on construction equipment, refrigeration and other machinery and on road vehicles. This is the kind of product that will loom larger in order books in 1965-70 than it has up to now.

East-West trade prospects

The communist bloc is a forecaster's nightmare. Trade movements are at the mercy of political convenience. But from present trends we can expect slower growth in output and thus slower growth in total trade.

However, the bonds shackling East-West trade probably will be further loosened. There have been some large and intriguing orders coming from the communist world lately, mostly for plants: a chemical and a synthetic fiber plant for Russia (at \$280 million and \$140 million respectively) and a brass and copper rolling mill for Bulgaria.

This kind of engineering know-how is likely to figure most prominently in East-West trade in the last half of the 'Sixties. The western European countries now get nearly all of the orders. The request from Romania for a nuclear reactor from the West has even more politics about it than usual, but it is nonetheless a pointer to growing independence of mind among the satellites.

Romania showed the greatest percentage increase in trade with noncommunist countries in the four years to 1962 (jumping from \$105 million to \$282 million), although percentage rises have lit-

tle meaning when trade is small. Russia itself nearly doubled its purchases in the same period, reaching \$2.3 million of imports from outside the bloc. Taking these trends and the improving political situation into account, the best guess that can be made about East-West trade in the next six years is that its value will rise more than in the past six years. Western exports might then reach \$9 billion by 1970.

How big a share for U. S.?

Viewing the three parts of the world together, what will the total import market amount to in 1970? Around \$250 billion is a fair estimate. This presupposes a growth of 40 to 50 per cent in volume terms; price rises will account for the rest.

If the past decade is anything to go by, U. S. exporters can expect a declining share of a growing world market. In 1956 they collared 18.5 per cent of world exports. Seven years later they got only 16.3 per cent. U. S. sales abroad rose by 20 per cent while exporters of other industrialized countries pushed up theirs by 66 per cent.

Why did the United States lose ground? Partly because some industrial countries were recovering markets they lost in World War II or soon after. Japan and Italy actually doubled their exports in the seven years to 1963. Germany nearly doubled its exports. This was due in part to the fact that West European competitors had the advantages of economic integration. But even in 1963, when faster growth in U. S. output brought faster growth in U. S. trade, its share of world markets still fell.

Another explanation lay in relative prices. Most costs are fairly similar in Europe and the United States, but Europeans get a big advantage by paying, on average, only two fifths of what the American employer pays for an hour's labor. Higher productivity in the U. S. cancels out perhaps a third of this difference, but this still leaves the European the much cheaper producer.

Still another reason: European firms have gained ground by adopting U. S. marketing and sales techniques. Britain once taught the world to play football (non-American variety). In recent years the pupils, especially the Latin Americans, have come back to London to humiliate their masters. Things

have not gone that far yet in the business of marketing but the Europeans and others are learning fast from their U. S. competitors.

Whether the American share of the global market continues to shrink depends broadly on two questions: How far world developments work in favor of U. S. exporters instead of against them, and what Americans themselves can do about improving the record.

In the first place, price trends now are moving in America's favor. In the last few years inflation in Europe has wiped out some of its cost advantage. Since 1960 average hourly earnings in Italian manufacturing industries have risen by around 50 per cent, in West Germany 31, in France about 27 and in Britain 16 per cent. The rise in the U. S. has been no more than eight per cent. The large European profit margins of the past have in many cases been squeezed dry and now the pressure is on prices, so far mostly for home sales. But in 1963 U. S. export prices, if anything, fell slightly while European prices rose by one or two per cent.

If this trend gathers momentum, as seems likely, American firms will be more competitive in world markets. In Europe they will reap further benefit from any tariff cuts agreed upon under the General Agreement on Tariffs and Trade, since these will reduce internal preferences enjoyed by the Common Market and EFTA members.

So by 1970 a typical U. S. exporter may be able to offer goods to Europe at prices 10 to 20 per cent lower in relation to prevailing prices of European firms than he could in 1963. Only if European currencies are devalued—a serious possibility in Italy alone—will prices move against U. S. exporters.

Easier going in Europe and no harder going elsewhere sums up the competitive outlook for 1970. More forceful selling by Europeans in underdeveloped countries will be partly countered by greater American price competitiveness here too, though not as much as in Europe.

American firms can also hit back by venturing more into markets they have too often left to the long established Europeans. Newly independent Africa is a case in point. The French and British still have the advantages of familiarity there but Africa's independent governments are turning more and more to other suppliers.

Ghana and Nigeria will be in a position to buy greater quantities of capital goods as their commodity

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WORLD TRADE

continued

prices rise. The market for vehicles, especially the jeep type, is and will go on expanding in all parts of Africa—to say nothing of the remainder of the underdeveloped world.

In Africa, too, trade is likely to follow the aid given by the United States. It is already doing so in Asia. So watch where the aid goes. More U. S. salesmen will doubtless also be booking flights to Tripoli (Libya is having an oil boom), Dar-es-Salaam (Tanganyika is starting an ambitious development plan) and South Africa, a fast-developing country in spite of its terrifying political problems.

In Latin America U. S. salesmen will find more and more European explorers. Competition will be tougher, but on the other hand there is a belt of countries stretching south from Venezuela which is just reaching the take-off point. Purchasing power there should increase substantially.

Where nationalism is obstacle

Political uncertainty clouds Southeast Asia. The area's economic potential is not likely to start being realized for years. If Indonesia could switch its attention from nationalism to developing its resources, the possibilities would be tremendous. But there are no signs that it will.

Elsewhere, the best prospects for American manufacturers of consumer as well as capital goods are in the most rapidly growing industrial economies—in Japan, Italy and France and in the nations launching full industrialization programs, notably Spain. The British and German import markets, like the Canadian, have already been deeply penetrated and offer less exciting prospects.

Finally, there is a lot of room for expanded trade with the Soviet bloc, where in 1963 U. S. sales were only \$170 million, barely a quarter of West Germany's. Admittedly, trade with the East is as much a matter for government negotiation as for private business initiative; but manufacturers in Western Europe have found the Soviet countries good though demanding customers and their sales, mostly of capital equipment, have doubled since 1956.

What does this add up to? It would be overoptimistic to expect the United States to maintain even

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WORLD TRADE

continued

its present share of global exports. But, if world trade grows as expected, this would not be necessary to achieve a handsome increase in orders. If U. S. exporters maintain the drive they have shown in the past and are as flexible in their search for markets in the rest of the 'Sixties they will pull in an extra five to six per cent a year in sales volume. This is three times the rate for 1956-62 and would bring 1963's exports of \$23 billion up to between \$32 billion and \$34 billion by 1970. Add something for the rise in export prices over seven years and the result may approach a \$40 billion market.

CHANGES IN FRANCE SIGNAL BIGGER SALES BY U. S.

The French economy is now one of the most rapidly growing in Europe.

Real gross national product in France has risen by 5.4 per cent annually over the past four years. A four per cent expansion is likely this year. With the labor force rising for the first time since the war, rapid growth should continue for many years. French planners expect real gross national product to rise by five to 5.5 per cent a year up to 1970.

Despite its massive achievements in recent years, France is only now becoming a modern industrial economy. One fifth of the labor force still works on the land, a much larger proportion than in other industrialized countries. But the rural exodus is accelerating. Agricultural employment has dropped by a quarter over the past eight years while the number working in engineering has risen almost as rapidly.

Increasing industrialization and rising living standards are only beginning to be reflected in a changed pattern of consumption. The proportion of consumer spending for such basic items as food and clothing is still much the same—43 per cent—as it was five years ago; the U. S. figure is only 34 per cent.

But there are signs that the pattern of French consumption is going to change rapidly over the next few years. Household incomes should increase by about 10 per cent annually, but spending on food may hard-

ly rise at all. Higher prices to the farmer under the Common Market's agricultural policy should be more than offset by efforts to streamline the primitive distribution system, and to bring middlemen's margins down to a more rational level.

Spending on nonessentials, and also on durables, is therefore likely to soar. This process is already getting under way; for instance, the number of passenger vehicles in use rose by 14 per cent to more than seven million in 1962, and there was another massive increase last year.

The transformation of the French economy should offer real opportunities to American business. This applies not only to consumer goods but also to the machinery and equipment which will be needed if, as expected, investment begins to move forward again next year.

Last year French imports from the U. S. totaled \$900 million, supplying only 1.2 per cent of the market. Most of the American goods sold were advanced manufactured products, demand for which is likely to rise with particular speed. However fruitful may be this year's



Renault line worker: New increase in French growth foreseen in '64

tariff negotiations, French duties on U. S. manufactures will be further lowered over the next few years, since French duties are in general higher than the common external tariff of the Common Market.

Other Common Market members will also be striving to capture a substantial share of French imports and, on price alone, American manufacturers will find it difficult to compete. But they should have a very substantial edge in marketing, an aid to sales of which the French are only just beginning to become aware.

Growth in the French economy will begin to speed up again in late 1964. For U. S. sales this could be a turning point, to be followed through as industrial tariffs drop, perhaps, in 1965 and beyond. **END**



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How to cope with problem executives

Trouble at the top requires skilful handling

IT'S ONE THING to put together a good executive team. It's another to see that the members of the team individually and collectively contribute to company success.

Time was when businessmen were inclined to take it for granted that anyone with the title of director, president, vice president or manager was a man of unusual quality and of course made a genuine contribution to corporate success.

To a considerable extent, this feeling still prevails. "Executives have a tendency to look upon themselves as members of an elite," one consultant says. "They often feel they can do no wrong."

Under pressures of competition and tight profit margins, however, more and more companies are facing the fact that this is not necessarily so.

What can you do when you discover that one or

more of your top people is giving an unsatisfactory performance or is doing things which interfere with the progress and smooth conduct of your business?

Firing is one answer. When it is quite evident that the manager's failure is attributable to some personal deficiency, it is often the only realistic answer.

Doing nothing is another answer. It may occasionally be appropriate for legitimate reasons (for example, when a man's actions are caused by temporary outside forces which he cannot control). But it is far more likely to be based on such invalid reasons as "He's a relative" or "We can't bear down too hard on him because he may quit in a huff and we'll have trouble replacing him."

Taking remedial steps is the third answer.

Here, based on the experiences of seasoned executives and management consultants, are some typical managerial problems to watch out for and a few suggestions for dealing with them:

The hand-sitters

A good demonstration of hand-sitting was given by the managers of the fabricating division of a large basic metals company.

After years of highly profitable operation, the business began to slip.

But the division's managers had grown soft and fat with easy living and were not inclined to try to check the trend.

Eventually the business turned so sour that the parent company heads were forced—somewhat reluctantly, because they were lethargic, too—to move in one of their tough mining bosses. He wasted little time in getting rid of the deadwood, reassigning the remaining managers and thus eventually bringing the decline to a halt.

For this particular situation, there may not have been any other solution.

But in other cases, if the hand-sitting disease has not taken hold too firmly, a less drastic way to correct matters is to establish clearly defined



The empire builder

and understood goals that can be attained only by some stretching.

"In traveling around the country I run into quite a few companies that have no objectives other than to hold their own," William Burgess, president of Electronic Specialty Co., says. "I don't believe this offers challenge enough for most executives. Our own goal is to double sales—profitably, of course—every two years. Our managers know this and work toward it enthusiastically. I have no doubt that we are getting enough out of them."

Elisha Gray II, chairman of the Whirlpool Corp., says the same thing in a different way:

"It behooves us today to create a climate of achievement in which men of ordinary stature are stimulated to extraordinary performance. It is so easy to lose sight of real achievements and objectives, both personal and company, by creating a busy situation where activity rather than results based on established goals becomes the device we use to measure our achievements."

The nonattainers

When a company fails to achieve its objectives for several years in a row, it's a sign either that the objectives are unrealistic or that management is failing down on its job.

Establishing a goal is comparatively easy, though it may pain the ambitious. Pinpointing management failures and correcting them is another matter.

A new answer—though by no means the only one or necessarily the best one—is to bring in a working director with an objective point of view.

According to John A. Patton, one of the men who has pioneered this idea, a working director is an experienced businessman who joins a company's board and takes an active, direct part in helping management to solve problems and strengthen the business. He is paid like a top officer but has no administrative authority.

He deals not only with the president, but with anybody in the organization.

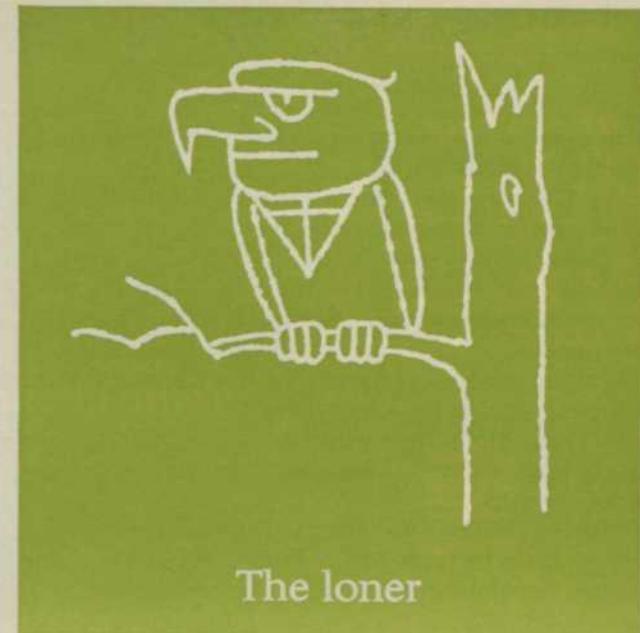
Harold Altshul, president of Ketchum & Co., a drug firm which has employed a working director, says: "A big part of the president's job is to keep his men, and himself, fired up. A working director helps to do this. He does more than attend board meetings. He makes it his business really to know the company. He advises the president and does enough constant needling to make sure things happen and results are reached.

"He sees that the disagreeable problems are not pushed aside but get handled with direct action. A good working director can keep the entire management team from bogging down."

The insufficient

If a manager consistently fails to get his job done or does it wrong, the usual assumption is that he is to blame. But analysis of the situation often discloses that his failure is attributable to poor communications.

"Of course, any manager who finds himself in a quandary about his job should have the intelligence to speak up," a consultant says. "But there may be



The loner

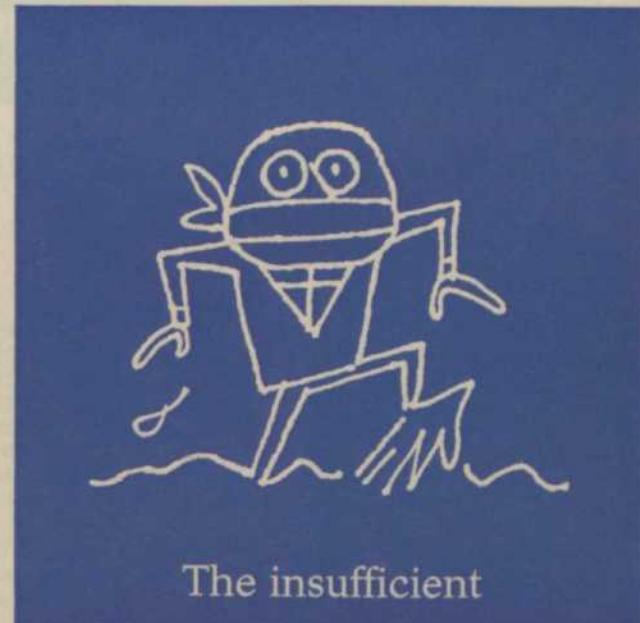
reasons why he can't. And it may also be that he has a boss who plays things close to the chest.

"In any case, it is a company's responsibility to see that its managers understand what the company is trying to do, what is going on, what is expected of each manager, and so on."

The bogged down

When a capable executive becomes mired in his job, he is probably trying to do too many things himself. But simply telling him to pass on some of his duties to his subordinates is not likely to correct matters.

If you don't maintain a constantly updated, fully detailed organization manual (a New York management consultant estimates that only a tiny five per cent of all companies do), one thing you can do



The insufficient

PROBLEM EXECUTIVES

continued

is to develop one and then review with the executive exactly what his job is.

Another step you should take is to help the man learn how to delegate authority.

"Delegation is simple to describe but hard to master," says Carlisle H. Humelsine, president of Colonial Williamsburg. Some of the reasons for this are:

Finding good management talent to whom you are willing to delegate is not easy.

It takes discipline to assign to subordinates the duties and responsibilities that they are most capable of carrying.

Most men tend to delegate things they dislike doing and to hang on to things they either like doing or are accustomed to doing. This defeats the purpose of delegation.

Despite these problems, however, Mr. Humelsine believes that an executive can learn to delegate if he has "learned the lessons of discipline, acquired a sense of judgment and understanding of those who work under him and developed that quality that inspires loyalty and respect."

Above all, he says, the executive needs to be directly associated with someone who is already a master of the delegation process and who unconsciously demonstrates it in his daily work.

The boat missers

Stories of people who passed up opportunities to get into fledgling businesses and thus missed making their fortunes are legion. Even within the protective confines of a large corporation, there are many executives who bypass comparable opportunities to increase the firm's business. This is not always because they are afraid to take chances. They may not be permitted to.



The non-attainer

"I believe that a top manager is a man who will carry forward the entrepreneurship of business," says David M. Lilly, president of the Toro Manufacturing Corp. "You must give him authority to take risks. Then you have to see that he accepts it."

The loners

The executive who is a loner causes problems. "And in my experience you can never really change him," says John D. Cassidy, vice president of EBS Management Consultants, New York. "You either live with him or get rid of him. Frankly, I'd rather employ a weaker man who is organization-minded."

Another solution to the problem of the loner is suggested by a consultant who admits he has always been one: Spin him off, but either try to keep a small stake in his business or keep him as a friendly supplier or customer. "You may not want to keep a loner," the consultant says, "but if he's a good man, don't let him get completely away from you."

The too-busies

"I'm suspicious of the man who has to work every night till 9 o'clock," says the president of one important corporation. "It may mean that he doesn't have ability."

"On the other hand, if he has ability and is working late because he thinks he's superman, he becomes so tense that he can't maintain his objectivity. This obviously isn't good for the business, and it isn't good for the man. I want my executives to keep healthy and happy—to be good for 10, 20, 30 years in business."

What's the answer? Get the man who is working too hard out of the office for a month or two even if you have to ask his wife to drag him.

The empire builders

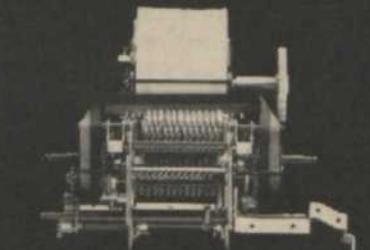
Empire building is one of the most common—some consultants say the most common—executive faults. Some men build empires deliberately to satisfy



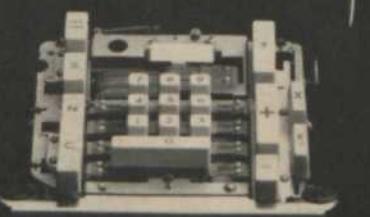
The too-busy



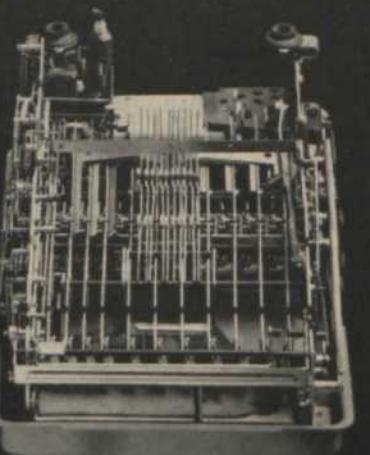
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There are many other reasons.

The cam shaft, for example: Rotates a full 360°. Cuts down the slamming, jamming, wear and tear you'd ordinarily get in conventional electrics.

And the outer skin. Super-tough Cycloac.* Virtually impervious to scratches, stains and dents.

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Remington OFFICE MACHINES
DIVISION OF SPERRY RAND CORPORATION

*TRADEMARK OF BORG-WARNER



PROBLEM EXECUTIVES

continued

their egos and hopefully to enhance their positions. But most men, Mr. Cassidy believes, do it unconsciously.

In either case, the initial treatment is to order the offending manager to reduce his staff by 10, 20 or whatever per cent is necessary. Such a command will inevitably be resisted.

"Even when the very life of a company depends on cutting out people I have seen sincere, capable executives argue that they can't get along with less staff," Mr. Cassidy says. "But for the good of the company, empire builders must be forced to follow the reduction orders. It's amazing how often a small staff performs as well as and even much better than an empire."

The dominant or dominated

Frequently executives become so impressed with and dominated by their profession, job or training that they let it rule not only their own thinking but also (if they are themselves dominant men) the thinking of their associates. When that happens, company operations and actions get badly out of balance.

One example of this was given by the chief engineer of an instrument manufacturing company. A stubborn, strong-minded individual who was overly imbued with the importance of engineering, he somehow managed to force his views about products on all the other executives. This did no harm so long as the postwar sellers' market lasted; but when the buyers' market set in, the company soon found itself in trouble. However, it was not until the engineer designed a vastly overengineered product which cost the company \$3 million that his superiors took steps. First they tried to change his thinking. Then, finding him intractable, they fired him.

Another company on a downhill track discovered that its troubles were traceable to several top executives who were lawyers inflexibly bound to the law. They insisted that the company write such impossible, all-encompassing contracts with distributors and agents that the latter could not readily operate. As a result, the company's business finally came to a virtual standstill.

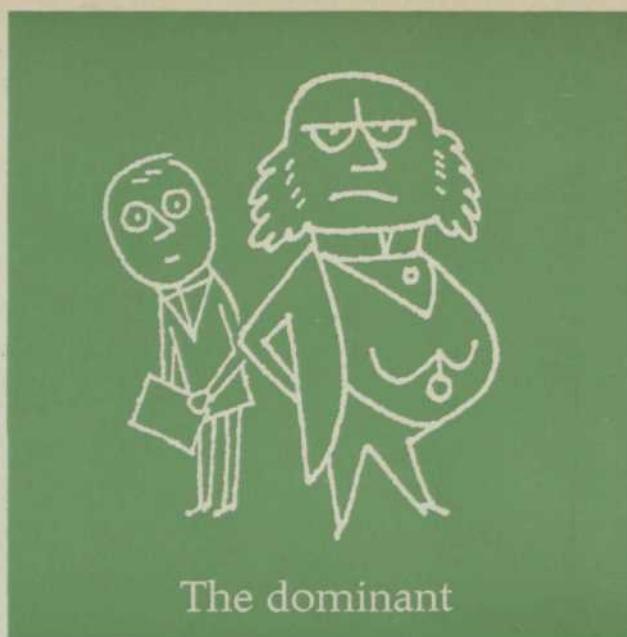
Although such near-disastrous experiences are not common, the executives who can precipitate them are. Some who are extremely rigid in their thinking find it impossible to change even when told they must.

But most can be controlled with reasonable ease if the organization manual spells out how the company goes about its business and if the appropriate controls are set up and enforced.

The geniuses

The top-ranked creative man who works in fits and starts or who can fully develop a brilliant idea in a quarter of the time another man might take can be an annoying problem for almost all companies.

"But you need him if he gives you what you



The dominant

want," says Mr. Lilly. "So it's not important if he's a nonconformist—if say, he works better at night than in the day. You have to learn to live with him. You have to learn to satisfy his peculiar needs."

Another executive expresses this view:

"There is a certain office discipline that even the highly creative man should live with," he says. "Even if he does everything you expect of him, if he doesn't show up for work or if he goofs off during the day, he tends to be a disruptive force. He hurts morale. And so you have to do something about him."

The good guys

These are the executives whose productivity, performance, comportment and so on add up to everything a company can ask for. Yet modern business is still not satisfied.

Says Dale Purves, senior managing partner of Edward N. Hay & Associates, Philadelphia management consultants: "If you ask whether I am getting enough out of my top people or whether such and such a successful company is getting enough out of its top people, I'll say we are, but in the same breath I'll say we're not.

"And I, for one, am not giving enough myself."

Another president adds: "None of us uses more than 10 per cent of his natural ability. No company ever achieves success."

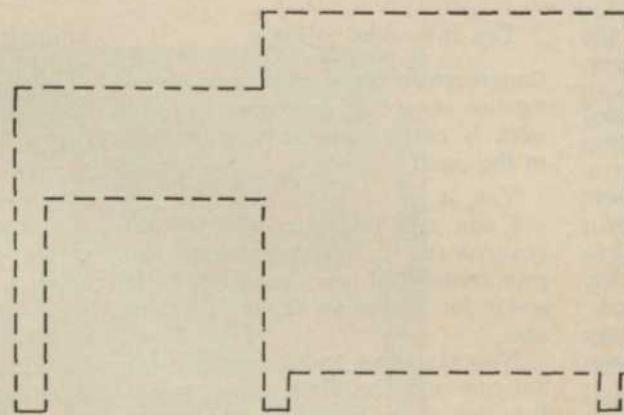
"We reach one corporate goal and there is another bigger one ahead."

"This is progress, and it's made possible by the fact that we always have more to give."

Moral for management: Don't hesitate to ask more from your executives.—STANLEY SCHULER

REPRINTS of "How to Cope with Problem Executives" may be obtained for 25 cents a copy, \$12 per 100, or \$90 per 1,000 postpaid from Nation's Business, 1615 H St., N.W., Washington, D.C. 20006. Please enclose remittance with order.

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HOUSE PROBER CHARGES

Federal paperwork wastes your money

A Nation's Business interview with

YOU'RE PAYING TAXES for the dubious privilege of creating paperwork that is expensive, tedious to complete, sometimes of questionable value and often a duplication of information available elsewhere.

So charges Rep. Arnold Olsen, Montana Democrat and chairman of a House Subcommittee on Census and Government Statistics. Since early this year the Subcommittee has been hacking its way through the jungle of federal paperwork.

Interviewed by an editor of NATION'S BUSINESS, Congressman Olsen tells how the paperwork explosion might be brought under more rational control at a saving both to government and business. He points out that federal paperwork costs have soared from some \$4 billion a year in 1955 to an estimated \$11 billion to \$12 billion today.

Contributing to this steep rise, he argues, are inefficient practices in managing paperwork, inadequate screening of information-gathering by federal agencies and other deficiencies.

From months of hearings and staff work by the Subcommittee will come a report urging re-examination of basic legislation empowering government agencies to collect information from private businesses and possible amendments of legislation which will prevent unregulated fishing expeditions by a variety of Washington agencies.

The interview follows:

Congressman Olsen, does your investigation show that government paperwork is costing business more than in the past?

Yes, it is.

I can tell you that the federal government is now spending approximately three times what it spent for statistics about 10 years ago.

Now statistics and paperwork are not one and the same thing, but if the cost of statistical programs has tripled over this period, it is reasonable to assume that our paperwork costs have also tripled.

Are there areas where substantial economies could be made both for the government and the businessman?

Yes. Take, for example, the employer's quarterly employment and wage report. It is Treasury Form 941-A, a list of employees and their pay—statistics about them. The requirement is primarily for the social security records and the unemployment compensation records of the states.

Our idea—and this is agreed upon by everyone except some of the unemployment compensation offices—is that this report could just as easily be made annually. The withholding tax is deposited monthly anyway so there would be no interference with collection of taxes. Just the filing of Form 941-A

annually instead of quarterly would save businessmen \$50 million.

The social security system could probably function just as well without this return being made quarterly. Thirteen states operate unemployment compensation offices without this information. Even the states which use the information, when a claim is made by an unemployed person, immediately check back with the employer, giving him an opportunity to object to the payment of unemployment compensation in the event that it isn't legitimately due. So those states actually aren't relying on the 941-A, except for statistical purposes.

Do you feel that excessive paperwork may be one of the reasons why some federal workers are perhaps not as productive as they should be?

I think employees everywhere can hide behind the shuffling of paper. They can hide their inefficiency and their nonproductivity; they can hide behind papers just by moving them.

How do you think the businessman feels about all this paperwork?

The businessman is sore, especially the small businessman because he feels it directly himself. He has to work on his books or he has to carry the forms over to an accountant's office.

To personalize this, let's take a typical businessman: What are the forms

he must fill out for the federal government?

Let me give you an example. A real one. This is a businessman who runs a retail store in Albany. He testified that he spends 35 per cent of his daily time with regulations, forms and keeping books and records and so forth for government agencies.

We had a Midwest manufacturer who was compelled to handle 71 federal forms which involved the filing of 1,523 reports. Another witness testified—I'll not use his name—that he could expect to spend a quarter of a million dollars a year on government accounting and reporting. The expenditures represent four to

15 per cent of each company's administrative, clerical and accounting payroll.

And talking about paperwork, our Subcommittee had some troubles of its own. The standing rule of committees of Congress is that a witness must bring 50 copies of his testimony along. The counsel of our committee reduced the requirement to 25 copies. But the first witness called us down for that. So we quickly changed our directive to read that because of the requirements of the news media and of the membership of the committee that we'd have to have as many copies as they could bring, and those who could ought to bring 25. If they

couldn't bring any copies, come anyway.

What are your general recommendations for trimming the cost of paperwork to government and business?

That there be a very thorough review of all questionnaires by the Bureau of the Budget. It has jurisdiction to approve or disapprove the paperwork requirements that any agency is attempting to impose on the public. To do this we are going to have to recommend that the Bureau have more personnel. Its personnel are working diligently but I think they are spread too thin. As a consequence, they approve surveys that could bear a great deal more scrutiny.

Then there are many forms or surveys that are bootlegged.

What do you mean, bootlegged?

Well, agencies make grants to states, to colleges, to private individuals to make some kind of survey and that institution makes a survey as an agent of the government without clearance from the Bureau of the Budget. This is called bootlegging.

Some such surveys are unnecessary?

Not only unnecessary, they aren't even reviewed by the Bureau of the Budget.

If paper-gathering is done with federal funds either directly or indirectly, the federal government should review what's imposed on the public.

How much bootlegging is going on?

There is really no way for us to say how much. We know it is going on. In every instance where we find it we request that measures be taken to stop it.

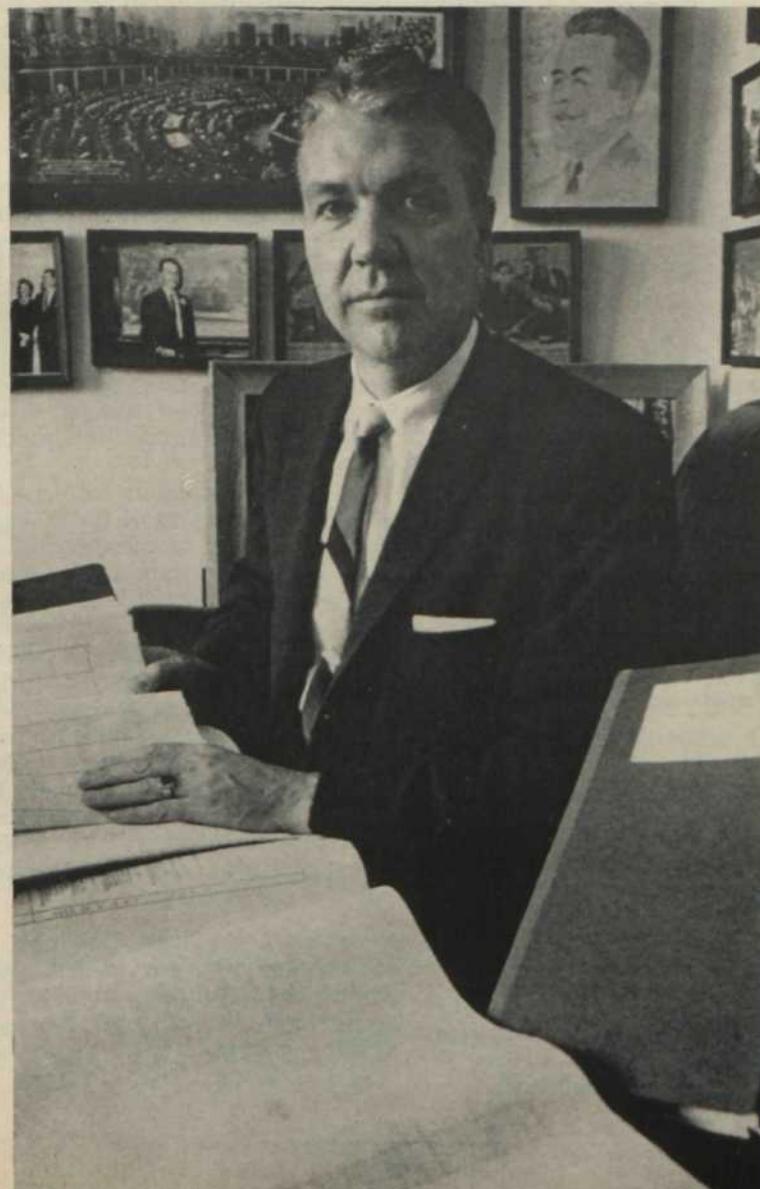
I think these people are sincerely trying to gather information and do what they feel is valuable work, but if it were reviewed by the Bureau of the Budget, most generally they would find that the information is already somewhere in the government.

You suspect that much of it may constitute duplication of effort?

Very much so.

Another big field of duplication that isn't being attacked at all is the federal government's gathering of statistics through the Department of Labor and other agencies that the states are already gathering through their labor departments,

Representative Arnold Olsen



JOHN POLE

PAPERWORK

continued

unemployment commissions, industrial accident commissions or others.

A lot of the federal reporting involves information that could be obtained from state agencies.

Do you feel that the cost of paperwork can be reduced in a way that would make an appreciable difference in the cost of operating the federal government?

The best I think we can hope for is to curb the growth of paperwork. In the Internal Revenue Service there is the possibility of reducing paper because some utilities and large manufacturers are reporting on electronic data processing tape; this could lead to some very considerable reduction in paperwork.

Where is the principal pressure for creation of new paperwork required of the businessman coming from?

Well, it's a combination of Congress suggesting that it needs some information for some new venture, I should say, and the very eager agencies interpreting their particular mission under a law provided by Congress.

For example, the Health, Education and Welfare Department issued a form titled "Census of Residents of Nursing Homes." Now this was sent to all nursing homes and many, many hospitals as well. They did this survey under the very broad language of their authority to study the health of the nation. HEW spokesmen admitted they had no authority to take a census, but couldn't deny that they did conduct a census.

By the way, it was a 30-page report—30 pages for each institution to fill out and complete.

Does this suggest that there is a need for review of the legislation under which various government agencies operate, at least as it pertains to their paperwork gathering?

Yes, I think the Bureau of the Budget should make a survey of all the forms that are being required by the government and they should review the law under which these people are doing it and try and bring the agencies together so that the related subjects be surveyed by only one agency.

Our investigation discloses that of all the review actions taken by the Bureau of the Budget last year on statistical forms and reports, 97 per cent were approved and only

three per cent were rejected. In looking at these figures the members of the subcommittee feel that possibly the review action taken by the Bureau of the Budget on new surveys and forms is not nearly critical enough. As a matter of fact, the Bureau of the Budget has been accused of encouraging the agencies to create more paperwork.

The Bureau of the Budget and several agencies attempted to take credit for reducing paperwork by eliminating some forms and they reported this to the White House. We found that generally where they claimed to eliminate forms it was actually the dropping of what had been obsolete forms and that new forms had already taken the place of the obsolete forms. Or they consolidated several forms in one without reducing the actual amount of information required.

They attempted to report to our committee that the elimination of obsolete forms was a reduction in paperwork and that the consolidation of forms requiring the same amount of information was a reduction of paperwork, but under questioning it became apparent that many obsolete forms were simply replaced by new ones. No dollar savings to the public or saving of work resulted.

You have used dollar figures. Have you been able to ascertain what this all amounts to in manhours?

In February of this year, we reported that 13,373 federal employees were engaged in collecting, compiling, processing, analyzing and publishing statistical information of all kinds. Their annual salary costs were some \$82 million in fiscal 1963.

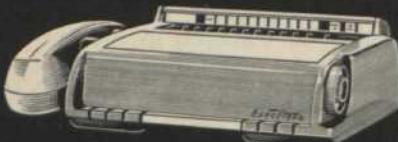
As for the manhours required for employees in private industry who must fill out all of these forms, we hope to develop some fairly accurate information on this point as a result of our current investigation. I might say that these estimates vary widely. For example, during our recent hearings a Department of Labor official stated it only took 36 minutes for a company to furnish the information required on one of their forms. A spokesman from private industry told us that it took his firm 36 hours to make out the questionnaire.

Professor C. Northcote Parkinson, in an interview with our editors, commented wryly that paper accumulates faster than it can be digested. Would you agree?

Yes, I do agree. As a matter of

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staff of fine young executives with lots of get-up-and-go. 

Trouble was...they often got-up-and-went...to bigger companies

offering substantial benefits. Our president  reasoned

that it takes three things to hold on to the rising young men in

the grey flannel suits: a good job,  with a promising

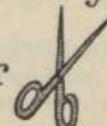
future. Enough money.  And a definite security program

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PAPERWORK

continued

fact, electronic data processing has greatly increased paperwork rather than reduced it, at least up to the present.

The government's electronic data processing?

Yes, and everybody else's, too, because the machines can digest a lot more information. Various federal agencies are requiring more information. The more we can assimilate, the more people want to know.

On the other hand, many businesses, especially utility companies and big manufacturing companies, now have electronic data processing equipment. By cooperation between business and the Internal Revenue Service, for instance, the information that is already in the computer at the utility company can be simply hooked up to the telephone and sent to Washington by high-speed data transmission and there put into a government computer.

There are many pieces of information moved about the government this way. The information about space satellites is computerized.

This is an instance where machine use is not adding to the burden?

Not adding. As a matter of fact, if it weren't for these machines moving information concerning satellites very rapidly, the whole satellite program would be impossible.

Several large corporations are already participating in this machine-to-machine reporting to the Internal Revenue Service and also providing social security information. General Motors is one such company.

The machines can count things that we just weren't able to count before and for that reason we are asking for information—sometimes just because it can be counted.

Sometimes law changes generate more paperwork. For instance, banks now must report interest they pay to individuals, and corporations report dividend payments. This has increased paperwork.

However, banks are rapidly going to electronic data processing information and they will just as rapidly be reporting it machine-to-machine.

Are government's demands for information growing in ways that constitute an unwarranted invasion of the affairs of a business?

I haven't come to that conclusion

but some of our witnesses have, especially in the case of inquiries from the Bureau of the Census. On the other hand, I have become convinced that the Bureau of the Census has well guarded the information that it received from any individual company and privacy is protected. And so the benefits of gathering the statistics aren't lost.

Do you think there is a possibility, with more rapid means available, that the government could begin to harass business, to reach for business information it shouldn't have?

There is a potential danger. It's got to be guarded against and we have got to be aggressive about curbing data requirements of government, but I am more concerned about the poor management and inefficient practices of some government agencies. That is where the waste is.

What are the obstacles to cutting paperwork?

One obstacle is Congress itself. Congress is made up of individuals and committees that are suggesting that they need some information for one thing or another and the remaining colleagues on the committees are very agreeable and they say, "Yes, it would be a very nice thing to know," and with that they launch some agency of the government into acquiring information. The Bureau of the Budget feels it can't forbid the inquiry because, after all, Congress suggested it. So, right here in the halls of Congress we have got to have more restraint.

What about an enterprising bureaucrat in one of the agencies?

They are a potential menace in thinking up something to ask. And in justifying their position and their job. This area, of course, is

one where if the Bureau of the Budget had more personnel they could more closely scrutinize what the agencies are doing and perhaps cope with it.

And business itself, through its associations, should think not just twice, but three or four times, before requesting the government to launch a survey.

Do you feel that the savings in which you are interested can be achieved despite the requests of business for information?

Yes, I do.

There is a conflict of interests but it's not irreconcilable. The Census Bureau, for example, is learning rapidly—principally because it is being prodded so much—to get information by sampling. It is learning how to do it quite accurately that way. It costs a lot less.

Are the regulatory agencies a major trouble spot in connection with the paperwork problem?

Regulatory agencies are one of the trouble spots because they are one of the largest gatherers of paper. They gather about 80 percent of federal paper.

Do businessmen take shortcuts or look for loopholes to get around the paperwork they are required to fill out?

There is considerable evidence of strong resentment and outright defiance on the part of some business people toward the numerous surveys being made.

I might say that I feel the same way. I not only get surveyed by the government but I get surveyed by other people. Every college student who makes a survey of the Congress sends a questionnaire to each of us. I've got one here now as long as your arm.

END

STRENGTHEN PROSPERITY *continued from page 41*

This requires space for showing, space for auditing, space for demonstrations. And the turnover in this type of goods is not as rapid.

Detailed analysis suggests that the volume of store construction will not decline during the remainder of the decade. It may rise. The new circumferential highways around many cities and the improvement of the urban highway systems are opening new areas and will help support a continuation of high rates of commercial activity both for stores and for office

buildings and warehouses. The market for industrial construction is quite strong. The volume of industrial building that took place in the past five years was about adequate for the kind of economic growth we have had. But production is now rising faster.

The growth in the over-all market, the development of new products and of new methods is now putting more emphasis on expansion of capacity and the building of new capacity.

By 1970 industrial construction

you can't have everything you want in a truck diesel- or can you?

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**(a) can equal any engine
in total performance, yet beat
it in operating economy—or**

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Ask any trucker what he wants in a truck engine and you'll hear—"Power to get the job done with less fuel and maintenance expense."

And that's exactly the combination you get with the new GM Diesel "N" engine.

You choose the power-economy balance you desire—without costly compromise.

How can one engine outdo all others in a balance of 1) economy, 2) performance, 3) durability?

Because GM Diesel "N" engines outdo all others in the one factor that affects all three: *efficient fuel combustion*.

Only "N" engines combine new Needle-Valve injectors and new higher-compression pistons with the time-proved GM Diesel design. Together they produce cleaner, more complete combustion—convert more of the fuel energy to work-power.

So, for everything you want in a truck engine, insist on the GM Diesel "N" in the next heavy-duty trucks you buy, whatever the make. Or ask your GM Diesel Engine distributor about repowering. He has kits to make installation quick and economical. Detroit Diesel Engine Division, General Motors, Detroit, Mich. 48228.

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Rambler Introduces new 65's on Tyrex® Rayon Cord tires

Wednesday, September 23
Dodge Introduces new 65's on Tyrex Rayon Cord tires

Wednesday, September 23
Plymouth Introduces new 65's on Tyrex Rayon Cord tires

Wednesday, September 23
Chrysler Introduces new 65's on Tyrex Rayon Cord tires

Wednesday, September 23
Lincoln Introduces new 65's on Tyrex Rayon Cord tires

Thursday, September 24
Buick Introduces new 65's on Tyrex Rayon Cord tires

Thursday, September 24
Chevrolet Introduces new 65's on Tyrex Rayon Cord tires

Thursday, September 24
Cadillac Introduces new 65's on Tyrex Rayon Cord tires

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Oldsmobile Introduces new 65's on Tyrex Rayon Cord tires

Thursday, September 24
Pontiac Introduces new 65's on Tyrex Rayon Cord tires

Friday, September 25
Ford Introduces new 65's on Tyrex Rayon Cord tires

Friday, September 25
Mercury Introduces new 65's on Tyrex Rayon Cord tires

Friday, September 25
Imperial Introduces new 65's on Tyrex Rayon Cord tires

PROSPERITY

continued

could be 50 per cent higher than it was last year.

Building of miscellaneous types of private buildings is rising also. Private hospital construction, for instance, is on the upswing. The development of insurance plans and higher incomes encourage the building of private hospitals and institutions just as they have been encouraging public hospital construction.

There is no question about the continued rise in public utility outlays. Expansion of urban areas and the increase in income which results in greater use of fuel, power and communication facilities mean more construction. Even assuming that railroad construction does not rise, higher spending for communications and power may mean by 1970 that private public utility construction will be approximately 50 per cent higher.

Outlook for public sector

Turning to public construction, we find that several types of public nonresidential building are rising in volume. Public industrial construction is not rising appreciably, as the Atomic Energy Commission and other public agencies are finding less need for expanding industrial output.

School building is rising. The number of children reaching 18 has increased sharply recently. This is shifting the pressure to college building, which is more expensive than high school or grade school building. As the pressures rise for continuing education into college, the number and proportion of college students will go up. Spending on public educational facilities will be 15 to 20 per cent greater by 1970. Hospital and institutional facilities may be 50 per cent greater.

Highway outlays may be approaching their peak. We have been going through a catch-up period. The volume of highway building was far below needs during the 1930's and 1940's and most of the 1950's. But as the need is reduced, the demand for more facilities will become less pressing. A given highway lane today can carry much more traffic than it could 10 years ago. So the major increase in highway construction is behind us. The volume this year will be about \$7 billion. It may not be much more than \$7.3 billion by 1970.

From now on, the growth of

cities will come primarily from a surplus of births over deaths, not from in-migration. The absolute increase in number of square miles in urban areas may not change much. This means the need for sewer and water facilities will not rise as fast, but spending for conservation and development, the reduction of stream pollution, the development of recreational areas and other public purposes will continue to increase. Total private construction by 1970 will probably total some \$58 billion, about a third more than now. The public construction figure may be about \$24 billion, an increase of some 20 per cent.

The over-all total may be about \$82 billion.

Thus the larger portion of the rise in new construction may come from the pocketbooks of people and the treasuries of business rather than government.

It may appear somewhat surprising that public construction is not expected to rise as much as private. Some economists argue that the need is for more public rather than private investment. There are several reasons why this is unlikely. We have already noted that public highways are much more efficient today than they were previously. Sewer and water facilities also provide more service per constant dollar of cost. The frills are being reduced in educational construction.

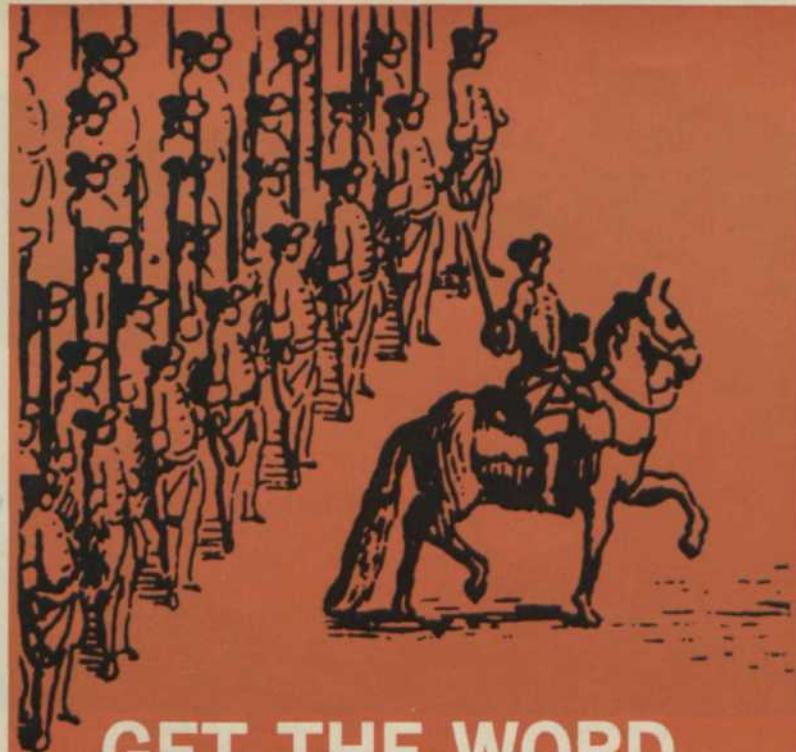
The demand of the taxpayer that he get more for his money is having an effect.

The judgment that public construction may not rise as much as private does not mean that the public facilities the society needs will not be provided to the extent that society wants them. It means, rather, that these things will be provided more efficiently.

But in general a high-income economy requires a high volume of production and distribution. This requires a high volume of industrial and commercial and other types of private construction as well as a high volume of residential construction.

This means the future will see a wider range of economic development, a situation called prosperity. Construction, on the whole, will play a stabilizing role. If the rest of the economy can approach the stability and healthy growth rates of construction, economists will have to scurry to find other things to worry about.

—ROBINSON NEWCOMB



GET THE WORD

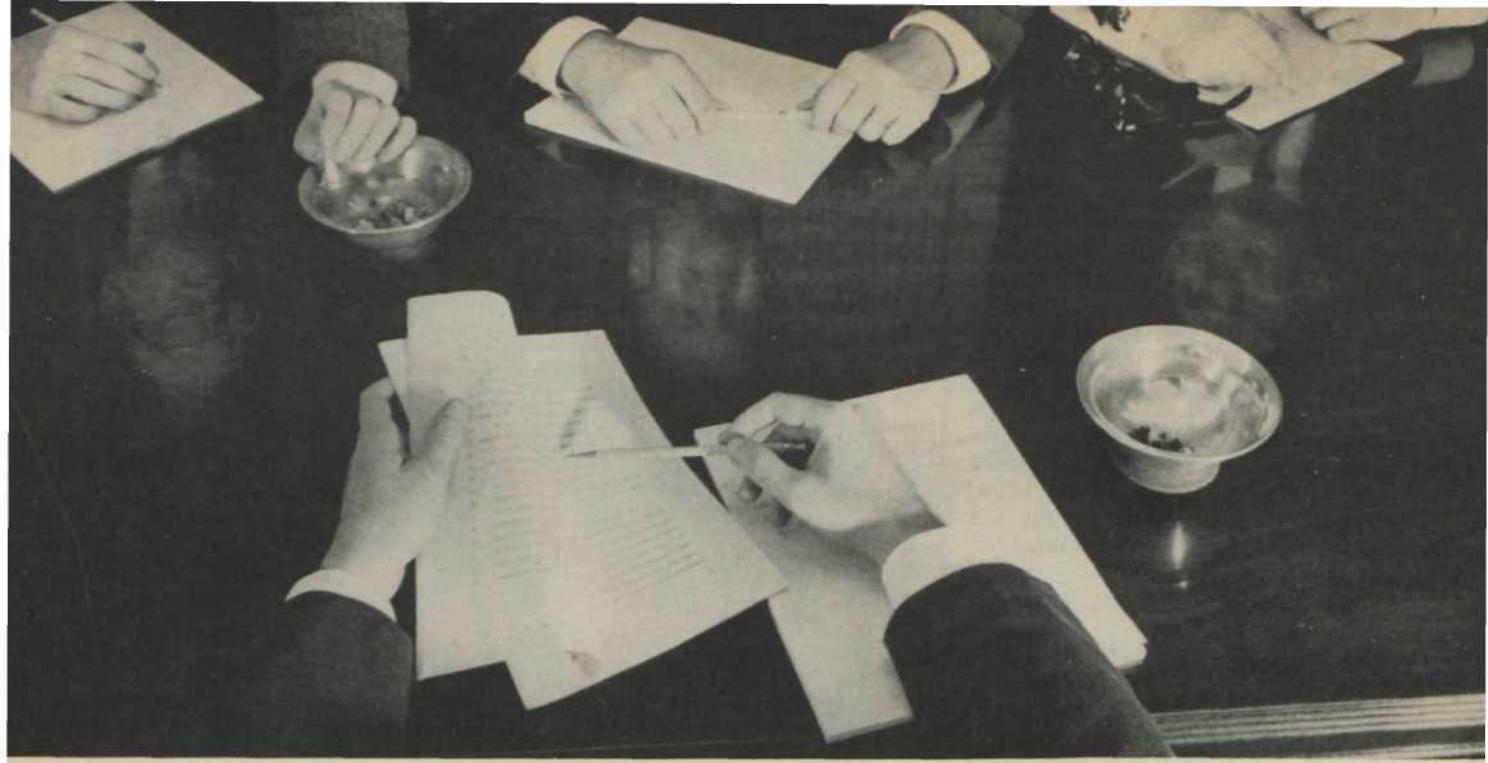
On January 8, 1815, an American army led by General Andrew Jackson won an impressive victory over British forces at New Orleans. There was only one flaw. Unknown to the commanders and their troops, the war had ended two weeks before.

Adequate communication to prevent needless, costly effort isn't important only to generals and armies. It's a prime ingredient for success in business and the professions. Up-to-date knowledge of how others in the field are solving common problems . . . of changes in technology and advancements in skills . . . of trends and developments elsewhere affecting the industry or profession can save you time, energy and dollars.

Providing such communication is one of the valuable services performed for members by trade and professional associations. You can share in this exchange by joining and participating in the association in your field.

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through trade and professional associations



JON SCHOONMAKER

Make your meetings more worth while

Participant as well as leader can make contribution

YOU PROBABLY find yourself a participant in a meeting many more times than you are the leader or chairman.

Yet most advice on meetings centers on leadership. The assumption from this might be that the participant is unimportant and his responsibilities and skills can be taken for granted. This is anything but true. Actually, any member of a business meeting faces problems, dilemmas and adjustments.

You can do a great deal toward making your participation more productive by adopting a cooperative attitude and by following a few basic suggestions.

Experiments at the National Training Laboratory in Washington, Harvard University, University of Michigan and other major re-

search centers have shed light on meetings as influenced by members' problems and methods.

We know that a group of people represents a fluid and changing situation and climate, particularly when they are talking with one another. It would thus be foolhardy to present a pat or standard set of rules for a member to follow. Every principle and technique has to be applied with judgment in the given situation.

But it's possible to answer some basic questions that you've undoubtedly faced as a participant in a meeting:

- What attitude should I have?
- What knowledge of the group process do I need?
- What relation to the leader?

- When should I participate?
- How to communicate?
- How to handle argument and differences?

What shapes attitudes

Your attitude may well have more influence on your effectiveness as a participant in a meeting than any other factor. It is surely more important than any physical skill or technique.

Professor Keith Davis of Arizona State University notes that "participation means mental and emotional involvement rather than mere muscular activity." This suggests that a proper attitude is not mere physical presence, just going through the motions of attending and staying awake, leaving it up to the leader

and the others to participate, or feeling that meetings are a waste of time.

It is this very attitude that makes some meetings fail. The meeting is perhaps the major vehicle that can best accomplish multiple communication objectives at one time: keep people informed, solve problems, make decisions to which all have contributed, consult and seek advice and counsel and provide a participation forum and climate. Research has proved that members who help contribute toward a decision they will later carry out are much more inclined to do a better and more enthusiastic job.

Robert H. Levi, president of the Hecht Co., points out that preparation is essential to proper attitude, putting it this way: "A conference member can be productive only when he takes sufficient time and interest to prepare adequately, in advance, on the subjects to be discussed. It is an imposition on other members for a poorly informed participant to discuss a serious subject."

An executive of American Motors Corp. stresses strongly that "the whole thing is a matter of attitude. I've been in this business a good many years, and it seems to me that too often our feelings are hurt simply because someone else has another opinion. If we could just remember that we're all working toward the same objective—the good of the organization. A man should sit down from time to time and ask himself, 'Do I have the right attitude?'"

Be open-minded, tolerant and understanding of the remarks of others and of the leader as well. Don't be too quick to criticize. Alex Osborne, the famous advertising executive and author of "Applied Imagination," stresses the value of an attitude of free and open thinking and quotes a vice president of a large corporation:

"My 15 years of conference after conference in my company have conditioned me . . . to rate the others on the basis of judgment and logic. We look up to the other fellow who makes no mistakes more than if he suggests a lot of ideas. . . . I wish our people would feel free to shoot ideas the way we do in brainstorming sessions."

This is another way of saying

that we should be less critical of others, should encourage more free ideas and should in turn expect that others would be more open-minded in receiving our comments. This is not to suggest that all meetings should be so permissive and free as to brainstorm everything, which would result in chaos. That is why some controls are needed.

How groups work

What knowledge of group process should a member have in order to be most productive? Many would say that only the leader needs such knowledge, but this is exactly the attitude that induces poor and indifferent participation. The purpose of a meeting may be varied and multiple. Most advice on meeting procedures centers on problem-solving as their nature and purpose. But sometimes the leader may call a meeting only to give to the group information or instructions, or he may simply be seeking information and advice from the group or he may want them to help him make a decision.

If the full sequence of solving a problem is followed, the leader may first present the problem. This would be followed by group analysis of the problem, then the free offering of possible solutions, evaluation and consideration of these toward finding the best solution

and reaching a consensus on a decision.

Norman R. F. Maier, a leading industrial psychologist who has done much experimental research in group process, comments on the values of participative problem-solving: "People are motivated by participative methods because the activity itself is satisfying. . . . People enjoy these activities."

The relation to the leader of each group member and of the group as a whole is a basic factor in the member's own participation and influence. The leader's basic responsibilities are to plan, organize, stimulate and control.

If the meeting's objective at a particular time is for the leader to inform or instruct the members, he will do most of the talking. If he poses a problem on which he simply seeks advice and counsel of the members, and he makes this clear, they will offer this without expecting to make a decision as a group.

If he indicates that a group decision is wanted, then the participant has more responsibility in helping to shape this. A good leader will be honest, sincere and clear in establishing the basic relationship between himself and the other members shaping the outcome of the meeting.

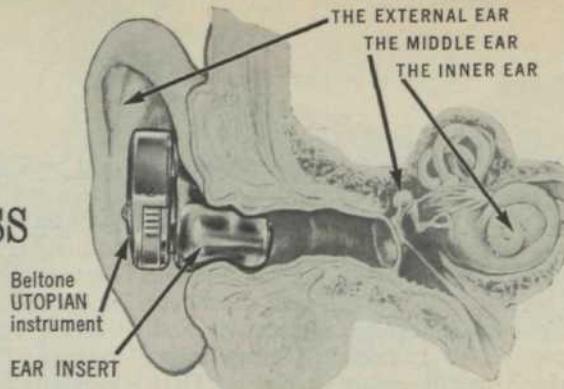
When the leader does not do these things or when he is obvious-

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In a recent survey at Pennsylvania State University, Major Hermon Farwell of the Air Force made an attempt to determine the basic criteria and requirements for a good group member. He reviewed more than 25 leading textbooks in the fields of education, speech and oral communication, particularly those by experts in the field of conference and discussion. He developed a long list, from which these eight make up the consensus of all the experts:

- An attitude of flexibility and permissive interaction.
- An awareness of communication barriers and a desire to overcome them.
- An awareness of the need for understanding group process.
- An ability and desire to speak clearly and to the point.
- An understanding of the need for attentive listening.
- An ability to think logically and analytically.
- A desire to cooperate and conciliate toward reaching goals.

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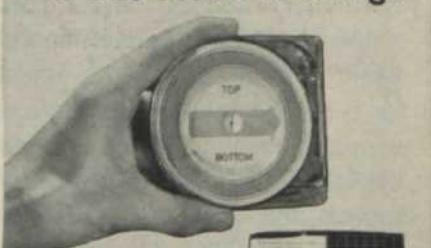
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YOUR MEETINGS

continued

ly autocratic or brusque in manner, the participant has more difficulty. Robert Young, the late president of the New York Central Railroad, for example, liked to claim that he held weekly staff meetings. "But," he said, "they never last over five minutes."

In such a situation, a participant should try to indicate the need for further clarification, to ask questions or to supply information. It would be courting the leader's disfavor, in all probability, to offer any substantial comments in such a tense formal setting and climate. But if the member accomplishes the first objective of asking a question or of offering additional information, such a leader may then listen to an opinion.

When a leader fails to make his objectives clear, or the degree of authority he places in the group, a participant should tactfully and pleasantly ask for such clarification. When the leader's questions are not clear, this should also be done. If the discussion is fuzzy or disorderly, a member might try to sum it up, suggest transitions and otherwise supply the organization that the leader lacks.

Time to speak up

Studies show that members who contribute early in a meeting will gain the initial respect of the group and be looked up to as the session progresses. This assumes, of course, that their first remarks were sound and useful. The member who sits back silently and fails to contribute anything until late in the meeting may find it hard to get started and to get the attention and respect of the group.

Timing of participation is also important in relation to other members who want to speak. You must be alert and active, ready to break in with your contribution without waiting to be asked. This sometimes requires split-second timing, listening attentively so that you can start your remarks just as another member is finishing, yet without interrupting him. If you relax and sit back, you may lose your opportunity.

Another factor of timing has to do with the flow and sequence of the discussion. If you want to supply facts and information, this should probably be done early in the meeting, during the analysis of the problem. If you have opin-



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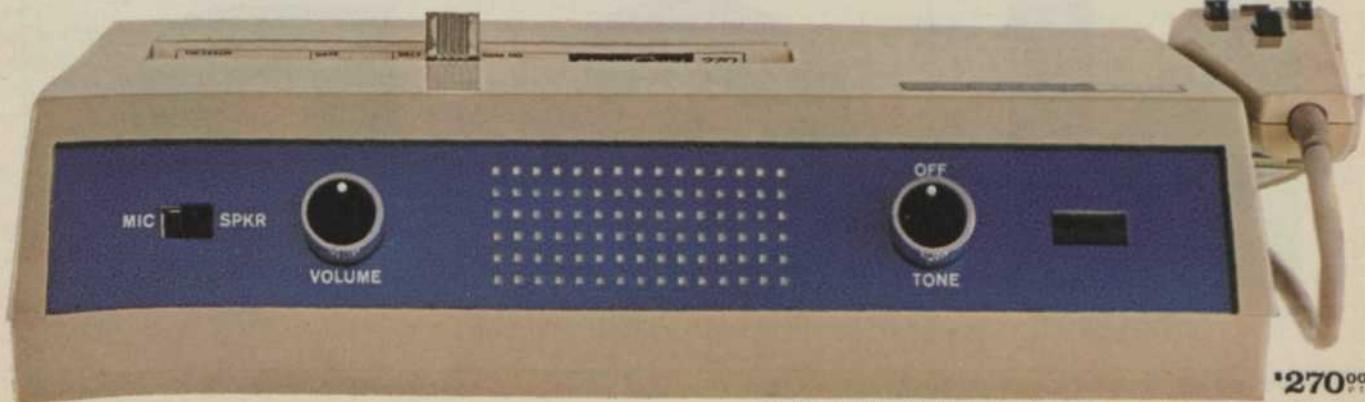
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NCR

YOUR MEETINGS

continued

ions, these would more likely be offered during the evaluation of possible solutions and the determination of the best solution and the effort to arrive at a consensus.

When there is obvious lack of participation by the members as a whole and you find yourself holding back with some uncertainty as to what is wrong, it is well to keep in mind the many reasons why people may not speak up.

Franklyn Haiman of Northwestern University reports a study which lists some 18 reasons for not participating. Among these are: Natural shyness, lack of confidence, lack of emotional involvement with the subject or situation, lack of knowledge, physical tiredness, submission to arguments of others, superior presence in the room, too dogmatic a leader. Try too analyze yourself in the given situation and to overcome the particular difficulty.

George C. Lowe, of the public relations department of the Atlantic Refining Co., suggests that the member can help the leader stimulate silent members.

"The verbosity of certain individuals sometimes overpowers other participants. It behooves all of us to watch for this and even to assist the leader by eliciting comments from silent members, by asking them questions at appropriate points in the meeting," he comments.

Watch your approach

How to participate is the crux of a man's effectiveness in a meeting. This is much more than the mere mechanics of making contributions. It includes your attitude, your relationship with others, your timing, amount of participation and your actual manner. Participation includes listening as well as speaking.

There can obviously be no exact prescription. A participant should be conscious of how much he is contributing in relation to others and he should not want to dominate the discussion.

An executive of a leading education association notes that "the trouble with many meeting or conference participants is that they belabor a point until it loses all its meaning. Somehow they have the impression that length and painful detail will make their case. To the contrary, they've lost their audi-

ence after the first minute and a half."

Contrary to popular belief, research studies have shown that members who contribute a high quantity of remarks are not as full of hot air as is sometimes presumed. The high-quantity producers in experiments at the University of Michigan Conference Research Project turned out to be high in quality as well.

Studies have also attempted to classify types of contributions that the participants make in meetings. Chief among these are those conducted by Robert Bales at Harvard University. He lists a dozen categories of contributions which include offering or seeking information or clarification, offering or seeking opinion, offering or seeking solutions, and supplying organizational and clarity functions such as making transitions, summaries, or asking questions.

Is anybody listening?

The total communication process that takes place when we speak and listen to each other is more involved than many suspect and if we are aware of this we can do a better job in meetings.

Communication is not merely transmitting ideas from one person to another. You cannot assume that putting ideas into language and sending them into the air toward another person results in his receiving and understanding them as you intended. The other person must receive and interpret meaning as he sees it. If you are self-centered and think only of expressing yourself rather than communicating with others, you may not achieve the understanding you want. Communication is the successful accomplishment of having the other person receive and interpret the message as the speaker intended.

The good communicator is aware that the communication process is fraught with barriers, including differences in age, status, background, experience, education, intelligence, sex, prejudices and feelings, language and use of the reasoning process. While many of these are operating against clear understanding between two people, most of the reason for breakdown is that both speaker and listener are too self-centered. They can resolve most of the barriers by constantly keeping the other person in mind.

Meetings need good speakers and good listeners. The latter stimulate and encourage others and thus contribute to the dynamics and inter-



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YOUR MEETINGS

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acting nature of discussion. The low-quantity speaker who listens well may turn out to be one of the most valuable members of a group.

Listening in meetings is much more difficult than listening to a speech, because you have to shift your analysis from speaker to speaker to speaker. The late Sen. Robert Taft displayed unusual ability in this on an occasion when he was speaking in opposition to a lend-lease bill in the Senate. After being interrupted and refuted by five other senators in succession in the course of about 30 minutes, he resumed the floor and continued, replying to all of them as he wove their arguments into his.

Mr. Lowe says: "The presentation of any idea by another member, whether good or bad, should receive fair and careful listening from all of us."

A leading government official indicates the part that meetings play in his total schedule this way: "These days I spend about half of my working life in meetings. That adds up to about 1,000 hours during the course of a year. This could cer-

tainly be cut down if members of the group would come prepared to listen as well as to talk. Perhaps it should be remembered that it is as valuable to absorb the other man's point of view as it is to expand on your own."

Mr. Levi, in emphasizing the importance of listening, comments, "The good participant should think in terms of logic and fact and not emotionally. He should listen more than he speaks and he can then better arrange his reply in clear, logical order."

When trouble comes

How to handle argument and differences of opinion poses a major problem. A good meeting needs conflict in order to bring out opinions in arriving at best solutions and decisions. If others are presenting views and opinions different from yours, you have both a right and a responsibility to refute them and to present your own view.

It is the way you do this that matters. Others will respect you for being able to advance and support your position—or even for being able to show fallacies or weakness in theirs. They will not respect you for regarding them as opponents, or as foolish, uninformed or under-

similar disparaging labels. It would be well to eliminate these words from your vocabulary. Even the word disagree tends to intensify the other person's opposition. It's all right to disagree, but don't use the word.

Here are some specific steps you might try in answering another person when you don't quite agree:

Look for areas of agreement first.

Determine to what extent you agree.

Restate his point clearly and fairly before you reply.

Start your reply in a pleasant manner.

State your position and support it with evidence and reasoning.

Remember that you really never win an argument; your best bet is to try to conciliate, recognize the other person's point of view from his standpoint, then state and support your own position soundly.

Dr. Robert Cavanaugh, director of explosives research and development for E. I. du Pont de Nemours & Co., calls attention to the danger of prejudices as blocks to understanding: "Conferences often accomplish little simply because the participants are so prejudiced that they are unable to communicate with one another. Under such conditions, everyone is well advised to look for little agreements from which larger ones can be found."

A prominent advertising agency head puts it like this: "In our business we are used to sharp differences in opinions from clients as well as in our own shop. We try to prevent differences in opinion from becoming arguments by understanding the other fellow's point of view first. By this I mean understanding—not necessarily agreeing."

How will you contribute to the decision as a result of all this? It is rare to find every participant in a meeting feeling that the decision is exactly as he wants it. Neither are decisions usually unanimous in a democracy when we all have the opportunity to express our views. We strive for unity and consensus, not unanimity, in blending our thinking with others, and in coming to the decision that is best for all.

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STABILITY AHEAD

continued from page 36

level off as the war babies increase the supply of labor entering the labor force," he predicts. "But salaries will rise faster in middle and upper management as the depression babies, who are fewer in number, assume positions of more responsibility."

Wages

Prevailing opinion is that the rise in hourly pay rates will slacken at about three per cent a year over the next five years, and that at least part of the increased cost will be absorbed by increased output per man-hour of labor.

Economist Ira T. Ellis of E. I. du Pont de Nemours & Co. says, "The sharp increase in the labor force together with the need to restrain costs and prices for balance of payments reasons should hold the average annual increase in hourly

Liberal or conservative?

You may be surprised where you stand. Try the test on page 34

wages during the remainder of the 'Sixties close to three per cent a year."

He points out that the annual average has slackened from 3.8 per cent in the 1955-59 period to 3.1 per cent over the past five years, or slightly less than 3.5 per cent over the 10-year period.

A. E. Ellison, Pacific Telephone & Telegraph Co.'s chief statistician, believes that the increase in average factory pay will be held to less than three per cent a year by an increase in unemployment, which he expects will average six per cent.

Martin R. Gainsbrugh, vice president and chief economist of the National Industrial Conference Board, believes that with pay checks at an all-time high, living costs relatively stable and personal taxes moderately reduced, "the general public is well aware of the improved economic position of American labor.

"Public pressure should help hold gains in wages in the second half of the decade in step with gains in national productivity—say, about three per cent."

He thinks wages will rise appreciably as employment rises in such

industries as electronics, chemicals and business machines.

Some see larger wage rate increases stemming from increased productivity, the rising cost of living, and, in the opinion of Mr. Sprinkel, from a drop in unemployment.

The Harris Trust executive adds, however, that the increasing rate of growth in the labor force will exert a moderating influence.

Mr. Paradiso expects that wage rate increases over the next five years will advance about the same as they have over the past 10 years—between three and four per cent a year.

"The gains will reflect primarily adjustments to higher consumer prices and to increases in labor productivity," he told **NATION'S BUSINESS**.

With certain qualifications, an average annual increase of from 3.5 to four per cent in hourly rates is forecast by Robert M. Williams, chairman of business economics at the Graduate School of Business Administration, University of California, Los Angeles.

His forecast assumes that:

1. U. S. military involvement will not increase substantially and total defense and space expenditures will stabilize or decline during the five-year period ahead;
2. President Johnson will be re-elected and present fiscal and monetary policies continued, and
3. Congress will not enact a medical care program for the aged financed through the social security system.

The largest increase in wage rates is forecast by Mr. Butler. He thinks the increases will run to more than four per cent "in times of good business and to more than three per cent in the year of business recession I look for."

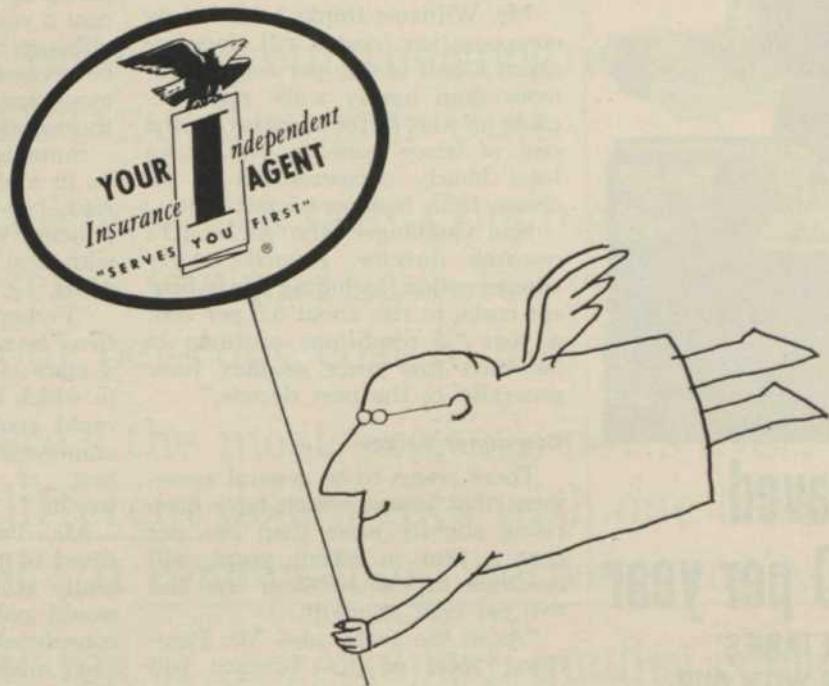
The faster growth of the labor force won't help the wage problem much because the easing in the next five years will be concentrated in the younger age groups.

"Markets for skilled and experienced workers will be tight," he says. "I doubt if the average (annual pay increase) will be held to three or three and a half per cent."

A squeeze on profits from rising labor and other costs will be one of the factors contributing to a recession, according to Mr. Butler.

Fringe-benefit costs are expected to rise faster than pay rates and comprise a greater part of total labor costs. [See page 104.]

Mr. Ellis points out that fringe benefit costs have consistently risen



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STABILITY AHEAD

continued

faster than wage rates since World War II.

Mr. Williams thinks total hourly compensation costs will increase about a half of one per cent a year more than hourly wage rates because of the faster increase in the cost of fringe benefits. He figures total hourly compensation to increase from four to 4.5 per cent.

Nat Goldfinger, the AFL-CIO's research director, expects hourly compensation, including fringe-benefit costs, to rise about 3.5 per cent a year "if conditions continue in the next five years as they have generally in the past decade."

Consumer prices

There seems to be general agreement that prices, which have been rising slightly more than one per cent a year in recent years, will continue to rise between one and two per cent annually.

"As in the past," says Mr. Paradiso, "most of this advance will occur in increasing charges for services, since many of the service industries will continue to experience a shortage of manpower in relation to expanding demand."

He pegs the future annual rise at between one and 1.5 per cent.

Under the same assumptions he specified in forecasting the wage outlook, Mr. Williams puts prospective price increases a little higher than Mr. Paradiso—between 1.5 and two per cent.

Mr. Ellison estimates future price levels will rise 1.3 per cent a year.

He points out that, while this will be higher than the 1.2 per cent annual average since 1960, it will be less than the two per cent average of the previous five years, less than the 1.6 per cent average of the past 10 years, and less than the average annual rise of any postwar year up to 1960.

Mr. Goldfinger expects consumer

prices to rise between one and 1.5 per cent a year, with the price of services a heavy contributor.

Mr. Butler believes the rising service prices may force consumer prices up as much as two or 2.5 per cent a year over the next five years, although "hopefully the index might be revised within this period to remove some of the upward bias in the service area."

Summing up, he thinks we will be in a moderately inflationary period, but the monetary and fiscal policies will likely be compatible with it at least during the next few years.

"Perhaps by the end of the 'Sixties," he says, "we will have reached a state of economic understanding in which it will be possible to have rapid economic growth, high-level employment and stable prices—the best of all possible economic worlds."

Mr. Paradiso views the future trend of prices and wages as generally stable, "since the increases would not be large enough to be considered inflationary. Indeed, such moderate advances would facilitate an orderly economic growth and would prevent excesses in capital formation as well as in business and consumer stock holdings."

According to Mr. Goldfinger, a continuation of the present wage-price trend with rising productivity and lower unit costs would continue the lag in real hourly compensation of most workers behind the productivity rise.

"Such trends," the unionist asserts, "would mean a continuing imbalance in the economy that would result in increasing unemployment, unless they are offset by rising government expenditures and investments."

Wage and price decisions of other industrial nations will have an increasing influence on wage-price trends in the United States, according to Frank E. Highton employee relations economist for General Electric Co.

Because European wage-benefit levels are much lower than ours, foreign companies have many more employees in relation to capital investment and sales volume.

This, says Mr. Highton, will enable them to increase their competitive advantage in the years ahead "because of greater opportunities to step up their mechanization through the substitution of capital for labor and enabling them to lower employment costs as competitive conditions call for the greater use of capital."

END



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C-9

FRINGE BENEFIT COSTS HEAD HIGHER

New study shows more rise

EACH WEEK THIS YEAR, American business firms will spend close to \$28 on fringe benefits for each employee—more than \$1 for every \$4 he gets in straight pay; a record \$75 billion annually.

And the amount is headed upward.

That's the result of a continuing surge which is boosting the cost of fringe benefits twice as fast as wages and salaries with no sign of a let up.

For example:

Employers spent an average of \$27.52 per employee per week for fringe benefits last year, compared with \$13.85 10 years earlier, a 99 per cent increase. The amount was \$24.12 as recently as 1961.

Wages and salaries during the past decade increased 49 per cent per employee. They totaled \$107.52 per week last year, compared with \$72.12 in 1953.

The \$75 billion total bill for fringe benefits this year is 127 per cent above the \$33 billion of 10 years ago. Wages and salaries climbed 68 per cent, from \$196 billion to \$330 billion during the same years.

The size and increase in hidden pay is analyzed in "Fringe Benefits 1963," a new study of 1,150 manufacturing and nonmanufacturing firms across the country, conducted by the Chamber of Commerce of the United States.

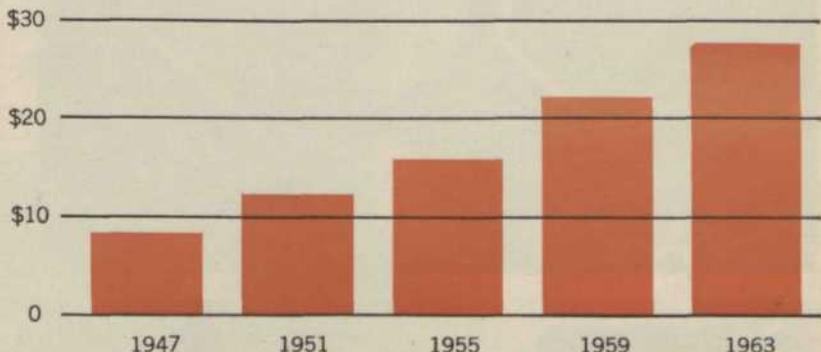
These findings have special im-

Costs of various fringe benefits per employee, per week

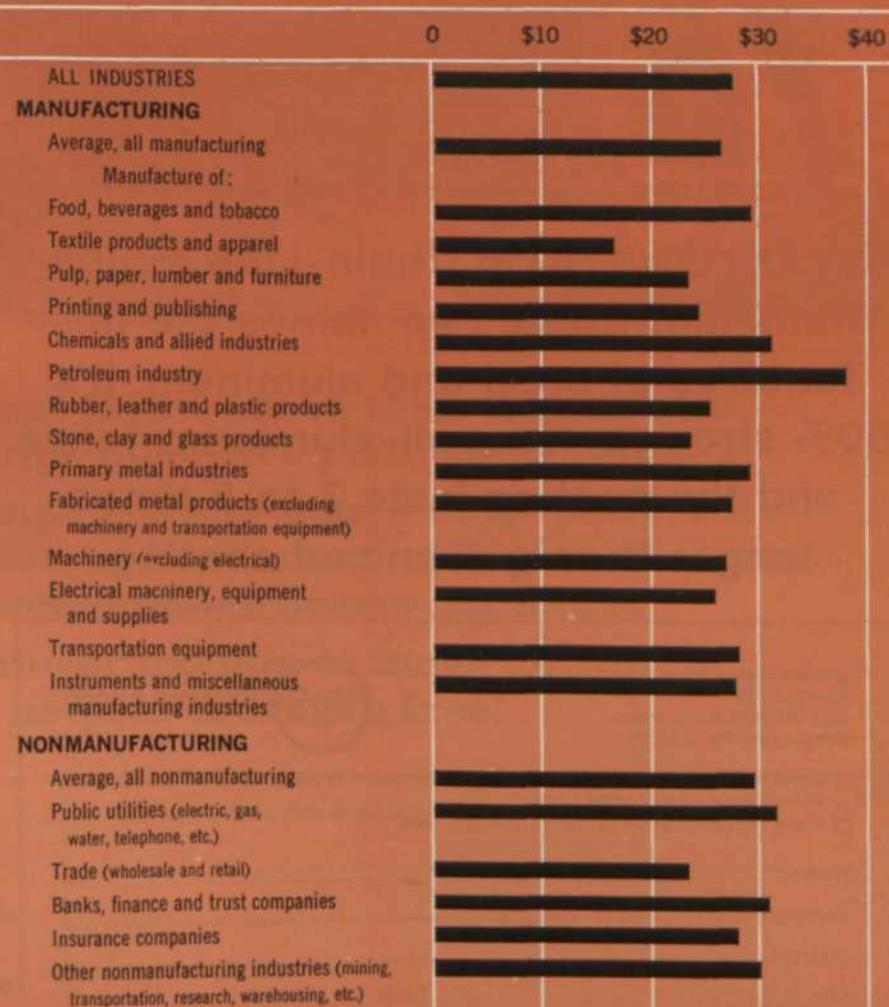
	1963	1953	% Change
Paid vacations	\$ 4.62	\$ 2.40	+93
Pensions (nongovernment)	4.19	2.71	+55
Old Age, Survivors and Disability Insurance taxes	3.23	0.96	+236
Insurance (life, sickness, accident, hospitalization, etc.)	3.12	1.29	+142
Paid rest periods, lunch periods, wash-up time, etc.	2.90	1.42	+104
Paid holidays	2.79	1.50	+86
Unemployment Compensation taxes	1.83	0.81	+126
Profit-sharing payments	0.96	0.44	+118
Workmen's compensation	0.87	0.52	+67
Paid sick leave	0.75	0.42	+79
Employee meals furnished free	0.33	N.A.	N.A.
Discounts on goods and services purchased from company by employees	0.21	0.10	+110
Other fringe benefits	1.72	1.28	+34
Total fringe benefits	\$ 27.52	\$13.85	+99
Average weekly earnings	\$107.52	\$72.12	+49
Fringe benefits as per cent of earnings	25.6%	19.2%	

N.A. Data not available.

Rise in fringe benefit costs per week, per employee, 1947-1963



Industry variations in costs of fringe benefits per week, per employee, 1963



portance now as business and labor face government pressure to hold down increases in both wages and prices.

Because they are hidden, fringe benefits can be sought and won in collective bargaining more easily than wage increases which can be attacked as inflationary.

Business, however, must still pay for fringe benefit increases. An increase in these costs as with any other business costs must be absorbed by employers or passed along to consumers in the form of higher prices.

Fringe benefits range, of course, from vacations to free lunches and beyond. Some are more visible than others. The costs of vacations, for instance, appear in statistics as part of total wages and salaries paid to employees. Firms pay vacation costs by hiring new employees or reducing production rather than through separate payments. The employer's share of federal social security taxes, however, is paid directly to Uncle Sam.

Whatever the benefit, its cost is headed higher, the study indicates.

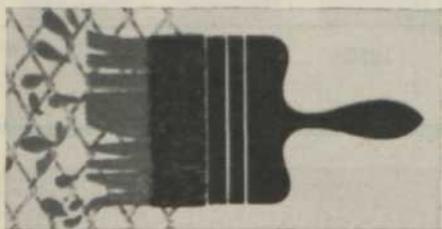
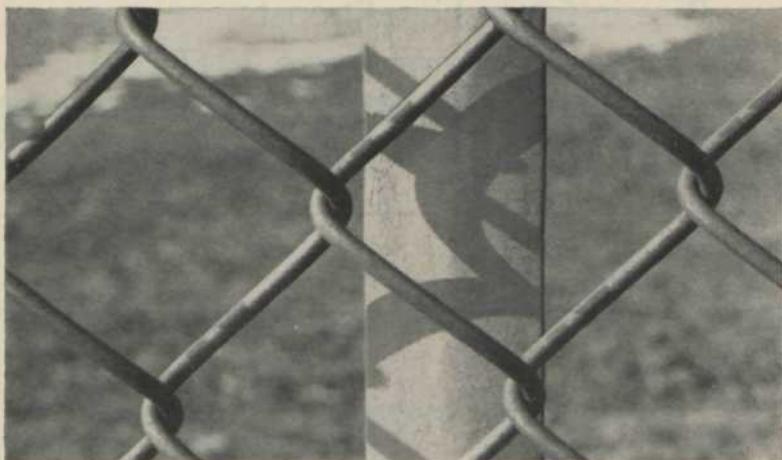
Pattern forming?

More liberal pensions and improved insurance programs recently granted in the rubber and oil industries will increase benefit costs in these industries and may form a pattern for other industries.

Companies are expected to liber-



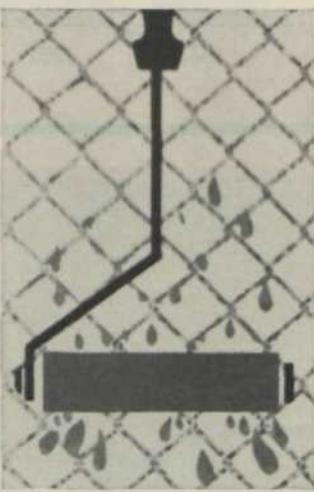
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FRINGE BENEFITS

continued

alize further their present vacation, holiday, sick leave and rest period programs while firms without such programs will start them.

Among the 30 fringe benefits covered by the study, vacations cost employers the most, \$4.62 per employee per week or one sixth of total fringe benefit costs. Vacations averaged 11 days a year in 1963, ranging from 14.5 days in the petroleum industry to eight days for wholesale and retail trade.

But government policy has made social security costs the fastest growing benefit item, as shown in the accompanying table. From 1937 through 1949, employers paid a maximum tax of \$30 per year per employee and withheld an equal amount from the employee's wages. But these taxes have increased for both employer and employee every year or two since then. They now total a maximum payment by the employer of \$174 per employee each year (an amount matched by employees) and are scheduled to go higher.

Premiums paid by employers for life, accident, hospitalization and other insurance have been growing fast and vary widely. These costs ranged from \$5.40 an employee weekly in the primary metal industry to \$1.79 in the textile products and apparel industries.

Paid coffee breaks, lunch periods, wash-up time and similar rest periods, which have become a growing issue in the auto and other industries, averaged 13 minutes a day across industry, compared with 10 minutes 10 years ago.

Holidays vary widely by types of business.

The insurance industry paid employees for nine days off a year on the average while companies in wholesale and retail trade averaged four days.

Costs differ greatly among industries and employers. Two firms covered by the survey reported fringe benefit costs of less than \$2 per week per employee, while seven companies paid more than \$65.

The petroleum industry averaged the highest fringe benefit costs at \$38.02 for each employee each week last year.

END

(“Fringe Benefits 1963,” a 32-page report, is available from the Chamber of Commerce of the United States, Washington, D. C. 20006, at \$1 per copy.)

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NB-9

New actions will ease government competition

Target: Closing loopholes in rules

Federal microwave installations have aroused concern of Sen. Roman Hruska

WIDE WORLD



SIGNIFICANT MOVES are under way in the federal government to curb its competition with private business.

The Budget Bureau is rewriting the rules under which goods and services are bought. It's generally conceded that existing regulations have too many loopholes and built-in opportunities for a difference of opinion on whether a federal agency or outside company should do a particular job.

The guidelines intended to prevent federal agencies from doing what private companies could handle adequately are being drawn more clearly. The main thrust of this effort will be to head off further government sprawl into fields where business can do the job.

The tightened regulations are expected to be in force by the end of this year. Budget Bureau officials are still wrestling with a number of important sections, particularly in the area of cost comparisons, so a precise description of provisions cannot be given at this time.

Also due by the end of the year is a Defense Department study of the Navy's 11 shipyards, a long-standing sore spot in the debate over government competition. Defense Secretary Robert S. McNamara, who has campaigned to cut his Department's competition with business, says: "I am certain it will be necessary and desirable in

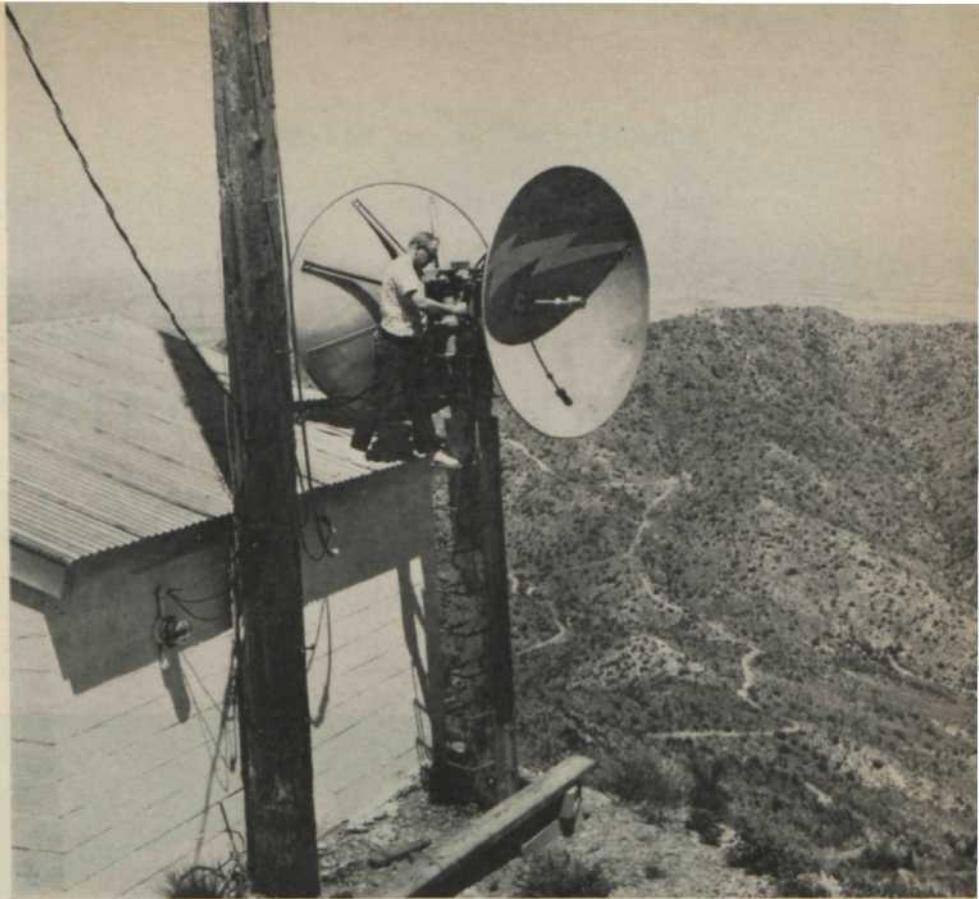
the public interest to reduce the operation of those yards."

When federal departments and agencies obtain goods and services the decision on whether government or business will do the work is governed by Budget Bureau Bulletin No. 60-2, written in 1959 and now under revision. There is general agreement with the policy which it lays down, that "the federal government will not start or carry on any commercial-industrial activity to provide a service or product for its own use if such product or service can be procured from private enterprise through ordinary business channels."

This seems a clear enough directive to federal officials to stay out of competition with private business, but the bulletin lists three exceptions to the over-all policy. These are cases where government ownership and operation can be justified on the basis of national security, relatively large and disproportionately higher costs of contracting to private industry or clear unfeasibility of using private firms. The difficulties arise from the manner in which these exceptions are interpreted at the levels of government where individual procurement decisions are made.

Communication dispute

One example currently in dispute involves the question of whether the



ROBERT TOWERS—BLACK STAR

Power project control room and mountaintop relay station are parts of Bureau of Reclamation microwave system connecting Phoenix and Parker Dam in Arizona

government should own and operate microwave communication equipment at federal power projects or contract for this service with local telephone companies. As power projects have become increasingly automated, better and more extensive communications are needed to coordinate the various parts of power systems. Multichannel microwave radio is considered the most practical successor to the now largely inadequate method of carrying communications over the power lines.

Both the Joint Economic and the Senate Appropriations Committees have shown concern over the competitive threat offered by apparent government reluctance to contract microwave operations out to local telephone companies. Future growth of the federal power network will produce an expanding area of potential competition. Commissioner Floyd E. Dominy of the Bureau of Reclamation, which operates power projects in the 17 Western states, says:

"This is a very important subject . . . because we are going to have a

good many communications systems to be provided in the future."

His bureau owns and operates microwave systems from Phoenix to the Parker Dam in Arizona; from Loveland, Colo., to Cheyenne, Wyo., and from Watertown, S. Dak., to Oahe and Fort Randall Dams in central South Dakota. Last year it rejected a bid by the Mountain States Telephone Co. and Union Telephone Co. to provide microwave service for the Colorado River Storage Project, now under construction in a five-state area, on the basis of comparative costs and decided to handle microwave operations itself. During the same period it contracted out to the Northwestern Bell Telephone Co. communications for a section of the Missouri River Basin Project. It recently agreed to contract out another section of this project to the Mountain States Telephone Co. and United Telephone Co. of the West after being pressed to recalculate its cost comparison.

The dispute over whether government or business should own and operate these microwave systems

illustrates how a federal agency can move into a competitive area through its interpretation of Bulletin No. 60-2. The Bureau of Reclamation says it based its decisions on comparative costs.

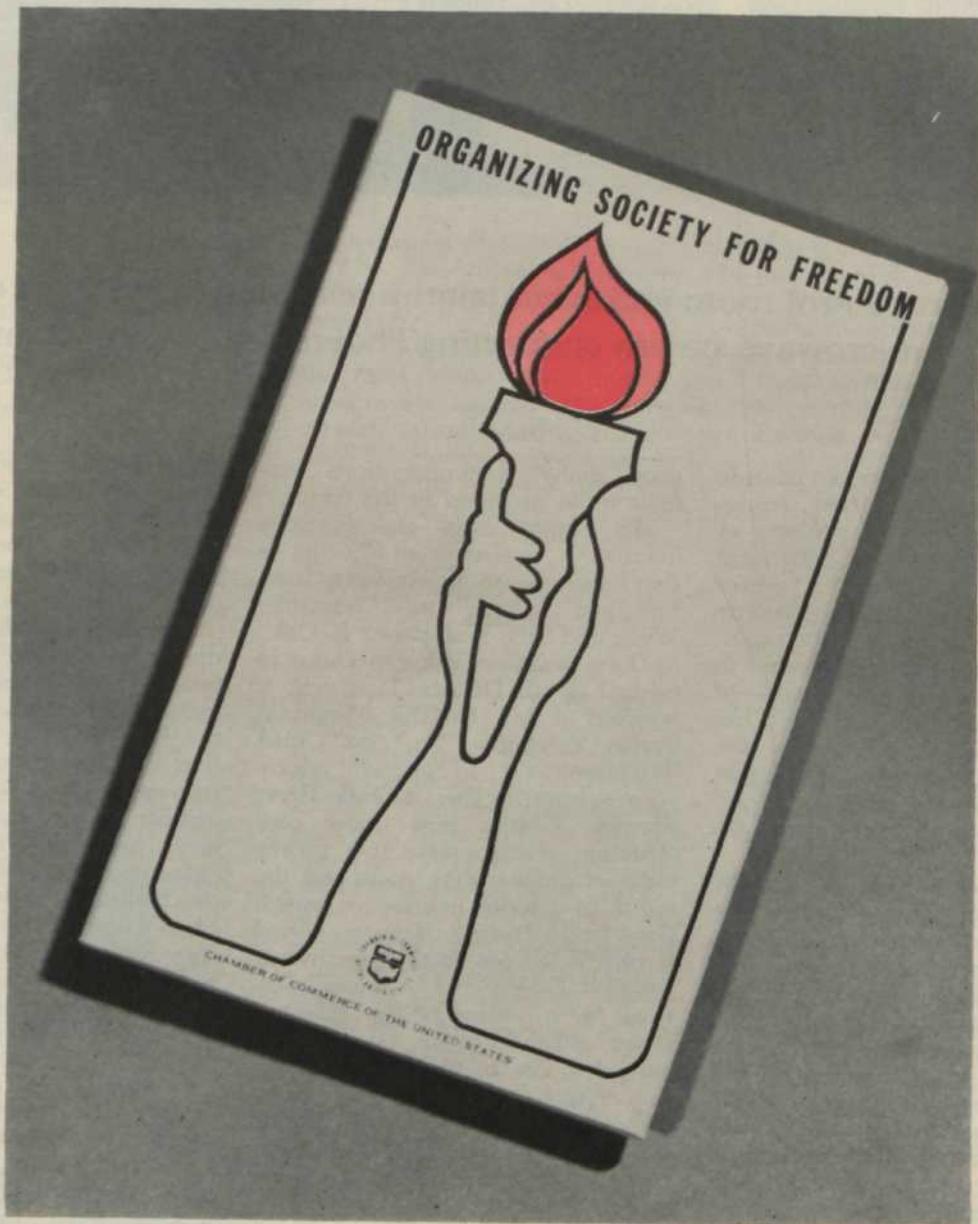
In calculating these costs the Bureau does not take into account the taxes which would be paid by a private contractor, as is required by the Bulletin. The Bureau contends that the Bulletin does not apply to microwave operations because they are an integral part of its mission and therefore come under the "clearly unfeasible" exception to the Bulletin's provisions. The telephone companies maintain that they suffer an unfair disadvantage in bidding on costs because of the Bureau's refusal to take taxes into account and, therefore, cost comparisons tend to favor government operation.

More teeth needed

The Budget Bureau's current revision of its bulletin is intended to prevent questionable interpretations which lead federal agencies

(Continued on page 112)

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COMPETITION

continued

into competition with private companies. The dispute over microwave installations recently provoked Republican Sen. Roman L. Hruska of Nebraska to remark:

"If it is shown that 60-2 is merely a pretty statement of idle policy and that there are no teeth in it to invoke its provisions, then the Congress should be alerted to this shortcoming. Certainly the full and effective implementation of 60-2 is a matter of deep concern to the Congress."

The issue is far from new, but the persistence of government competition in the face of efforts to eradicate it—and its tendency to crop up in new areas as old ones are eliminated—prompted former President Herbert Hoover to address himself recently to the continuing problem.

Mr. Hoover emphasized his conviction "that government should not undertake business enterprises except in economic crises or wars or when public works are greater than the people themselves can undertake, and that the federal government should divest itself of the thousands of such enterprises it now operates when the emergencies for which they were created are ended."

Republican Rep. Thomas B. Curtis of Missouri, a member of the Joint Economic and House Ways and Means Committees, says:

"Federal competition is a constantly recurring threat to private enterprise. You put it down in one place and, the next thing you know, it pops up somewhere else."

"There are two forces at work here," he explains. "One is the good American trait of empire-building, which is fine in the private sector where bankruptcy provides a control on anyone who expands too far and too fast. This very human trait becomes dangerous in the government, however, because officials there don't operate under this constraint. They're limited only by their budgets."

"Also pushing federal agencies into areas where they compete with private business are the people, both in and out of government, who believe that government should perform more and more functions in our society."

The broad issue which concerns Rep. Curtis and other members of the Joint Economic Committee is the erosion of the nation's tax base which occurs when the government

produces goods or performs services which could be handled by private business. Tax money is spent, but no revenue is returned to the government as it is when a taxpaying private company performs the function.

Democratic Sen. Paul H. Douglas of Illinois, chairman of the Committee, questions the necessity for the government "to do so many activities by itself when the tremendous facilities of private industry, properly regulated, could produce and distribute for the government while paying taxes to support the legitimate activities of the government." He characterizes the issue in this way:

"There are certain things that the government must do that cannot be performed by others or done so well by others. This represents solid wood on the economic tree.

"There are other activities of a fungus nature; that is, they are large, spongy and morbid—and not of the solid wood variety.

"Then there is the parasitic growth that lives on its host and eventually kills it and dies in so doing."

Scope of competition wide

Government competition with private business, of course, covers a much broader spectrum of federal activity than that affected by Bulletin No. 60-2, which regulates decisions within the executive branch to procure ordinary commercial goods and services for the government's own use.

One area where the threat of government competition is being increasingly debated involves the question of how far federal agencies should go in setting up and operating their own research and development operations. The government contends that it must have adequate in-house facilities to provide the management skill and knowledge needed to administer its vast scientific and technical programs. Representatives of private industry, however, bring out other considerations.

"The need for successful and efficient results is of even greater priority and significance than whether the performance of the work does or does not affect the level of ability within government planning or control agencies," says Helge Holst, corporate counsel of Arthur D. Little, Inc.

"If this be true, then the most significant feature in the placement of work will be the advancement of the national interest on time



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COMPETITION

continued

and at minimum cost. For these purposes, wherever feasible it is clearly in the government interest to draw upon organizations whose background of experience and existing capability lie in the areas in which it is desired to make the new developments.

"Such enlistment of experience and use of existing facilities both enhances the likelihood of successful results and reduces loss of time and probable project costs," Mr. Holst adds.

The most vital aspect of government competition with business here concerns an extremely scarce commodity—trained scientific and technical manpower. Less than one third of the nation's estimated 400,000 scientists and engineers engaged in research and development are devoting themselves to civilian objectives. Much federal research and development is contracted out to private organizations, but there are also large government-owned laboratories and organizations directly engaged in such work.

"It is evident that there is a substantial degree of duplication in these staffs and facilities," Mr. Holst says. "In the Department of Defense, for example, it is not uncommon to find separate organizations in each of the services rather than joint use of a single staff and facility. This is also true of non-defense agencies in their relationship with the Defense Department.

"This tendency is extensive. It can be seen in the fields of electronics, communications, engine development, satellite and booster development, weather science and a number of other fields. The National Aeronautics and Space Administration seems to be following the usual pattern of having its own facilities of nearly all kinds, resulting in more duplication."

The problem of government competition with business is as broad as it is long, and members of both the executive and legislative branches throw up their hands at the idea of making any meaningful estimate of its total extent. Most agree that genuine progress has been made toward curbing it during the past decade.

There is also wide agreement, however, that it hangs on tenaciously in many areas and that the government has a continuing tendency to spread out into new ones.

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SOLUTION: USE LONG DISTANCE TO CALL AHEAD FOR APPOINTMENTS

Reliance Paper and Bag Corp., manufacturers of retail store packaging, Long Island City, N. Y., recently urged its distributor salesmen to make calling ahead for appointments a standard operating procedure.

Result: Distributor salesmen are saving up to two hours a day. Time saved is being invested in building new business.

There are other ways that Long Distance can help you improve your business.

Let one of our communications consultants tell you about them. Just call your Bell Telephone Business Office and ask to have him get in touch with you.



BELL TELEPHONE SYSTEM

Talk things over, get things done...by Long Distance!

U-2?

Most farmers get money from Washington.

In return for this federal cash they agree to limit their crops. It's generally done by acreage allotment.

In other words, they give up freedom for easy money. That's the law.

Uncle Sam has no intention of letting some farmer exercise freedom by planting a little (or a lot) more than his allotment. So federally-hired airplanes soar over the land of the free and the home of the brave, taking high-altitude photographs of the fields.

Sort of a domestic U-2 operation.

Federal experts carefully scrutinize the pictures. If there's any suspicion that some farmer is planting more than allowed, an on-the-spot measurement follows.

Surveyors move in with their transits and chains.

Still think you can get money from Washington with no chains attached?

OUR MOTTO

Neither a scrooge
nor a patsy be.

That's a pretty good way of looking at life these days, isn't it?

Don't take advantage of anyone else. And don't let anyone else take advantage of you.

It's also a pretty good way of running an insurance company.

When we get a legitimate claim (and we find that the bulk of them are), we pay the full amount.

With no haggling.

(Your good will is more profitable to us in the long run than any nickels and dimes we might be able to shave off the settlement now.)

But, on the other hand, if you submit an

estimate based on a wastebasket blaze, and the figure is high enough to cover a four-alarm fire, we're not going to roll over and play patsy.

Our adjuster will adjust it.

Downward.

(If he didn't, then we'd have to raise our rates. Then all our other policyholders would suffer. And that wouldn't be very fair, would it?)

You might sum up our philosophy this way:

We want you to be happy.

But not at everyone else's expense.

If you'd like to do business with an insurance company that lives up to its motto,

contact the independent agent in your area who sells Continental Insurance. (He's listed in the Yellow Pages under Continental.)

For a free full-color reproduction of our Scrooge motto to hang on your wall, write to The Continental Insurance Companies, Box 16, N.Y., N.Y. 10038.



**The Continental
Insurance Companies**

The Continental Insurance Co. - Firemen's of Newark
Seaboard Fire and Marine - National-Ben Franklin
Fidelity-Phenix - Fidelity and Casualty - Milwaukee Insurance
Niagara Fire - Commercial of Newark - The Yorkshire
Home Offices: 80 Maiden Lane, N.Y. 38, N.Y.;
10 Park Place, Newark 2, N.J.



Floor featured in this Boutique is new Kentile® Bamboo Solid Vinyl Tile. Size: 4" x 36". Colors: Silver and Chinese Black. Riser Base is White KenCove® Vinyl. Floor design and interior by C. Eugene Stephenson, F.A.I.D.

Bamboo! An exciting new Kentile Floor that's perfect for any place of business. This beautiful solid vinyl tile adds an exotic touch to any decor. Yet, Bamboo is a brawny tile...with a warm, textured surface that's greaseproof, easy to maintain, and comfortable underfoot. Won't show spiked-heel dents. Expensive? Bamboo's low price is the nicest surprise of all! Your Kentile Dealer is in the Yellow Pages under "Floors." Or consult your builder, architect, or interior designer.

KENTILE
VINYL FLOORS